SUNWAY®
CONSTRUCTION

SUSTAINING THE MOMENTUM TO FORGE AHEAD

ANNUAL REPORT
2017

Sunway Construction Annual Report 2017

BUILDING ON TODAY'S MOMENTUM TO SECURE TOMORROW'S SUCCESS

Our guiding principles and strength in structural stability ensure we sustain our current momentum, while constantly striving towards optimum performance by innovating new winning formulas. By meticulously creating a legacy built on sustainability, we are united in standing firm against any obstacles along the way. This is our path. This is our resolve.

Mass Rapid Transit (MRT) Project – Sg Buloh – Kajang Package V4: Semantan Station

VISION

To be the leading regional construction and engineering group.

Sunway Construction Group Berhad (SunCon) is driven by a full range of integrated services which include building, civil engineering/infrastructural works, foundation and geotechnical engineering, mechanical, electrical and plumbing services works, industrial building systems/precast component, machinery and logistics with design & build capabilities to provide end-to-end construction solutions.

With a vision of becoming the region's leading pure play construction group, we constantly innovate to deliver value, build synergistic and sustainable relationships and achieve the highest standards of quality, safety and excellence.

MISSION

Innovating to deliver value underpins our relentless efforts to drive positive and sustainable change in the way we work and operate to create values for all our stakeholders.

Building synergistic and sustainable relationship is the bedrock of the company's ethos of nurturing our people and developing meaningful relationships with external parties including our business partners and customers towards achieving business objectives, while keeping the interests of our stakeholders.

Achieving the highest standards in quality, environmental, safety and health, remains our founding value that we uphold with great passion. We make individual and collective efforts in aiming higher to achieve strategic business goals with a commitment to excellence.

VALUES

INTEGRITY
We believe in doing the right thing at all times.

- We conduct ourselves in an honest and trustworthy manner
- We act professionally, ethically and honorably
- We ensure our actions are consistent with our words

HUMILITY
We believe in being humble.

- We never stop learning
- We care for and respect people and the environment
- We seek first to understand, then to be understood

EXCELLENCE
We take pride in all that we do.

- We strike to deliver high quality products and services
- We continuously innovate and improve for greater progress
- We seek to inspire others to excel

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman/Independent Non-Executive Director
Dato' Ir Goh Chye Koon

Senior Independent Non-Executive Director
Dato' Dr Ir Johari Bin Basri

Independent Non-Executive Director
Dato' Siow Kim Lun
Dr Sarinder Kumari
(Appointed on 1 March 2018)

Non-Independent Non-Executive Director
Dato' Chew Chee Kin
Evan Cheah Yean Shin

Managing Director
Non-Independent Executive Director
Chung Soo Kiong

AUDIT COMMITTEE

Dato' Siow Kim Lun (Chairman)
Dato' Ir Goh Chye Koon
Dato' Dr Ir Johari Bin Basri
Dr Sarinder Kumari
(Appointed on 1 March 2018)

NOMINATION AND REMUNERATION COMMITTEE

Dato' Dr Ir Johari Bin Basri (Chairman)
Dato' Ir Goh Chye Koon
Dato' Siow Kim Lun
Dato' Chew Chee Kin
Dr Sarinder Kumari
(Appointed on 1 March 2018)

RISK MANAGEMENT COMMITTEE

Dr Sarinder Kumari (Chairperson)
(Appointed on 1 March 2018)
Dato' Ir Goh Chye Koon
Dato' Siow Kim Lun
Dato' Dr Ir Johari Bin Basri
Evan Cheah Yean Shin

COMPANY SECRETARIES

Tan Kim Aun (MAICSA 7002988)
Soh Ke Yi (MAICSA 7060456)

REGISTERED OFFICE

Level 16, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway, 47500 Subang Jaya
Selangor Darul Ehsan, Malaysia
T (603) 5639 8889
F (603) 5639 9507

SHARE REGISTRAR

Sunway Management Sdn Bhd (50661-X)
Level 16, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway, 47500 Subang Jaya
Selangor Darul Ehsan, Malaysia
T (603) 5639 8889
F (603) 5639 9507

AUDITORS

BDO (AF : 0206)
Chartered Accountants

SOLICITORS

Azman Davidson & Co
Wong Kian Kheong Advocates & Solicitors

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Standard Chartered Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name SUNCON
Stock Code 5263

WEBSITE ADDRESS

W www.sunwayconstruction.com.my
E enquirysuncon@sunway.com.my

INVESTOR RELATIONS

NG BEE LIEN
T (603) 5639 9645

ELAINE LAI
T (603) 5639 9793

E irsuncongroup@sunway.com.my
F (603) 5639 9530

We are also available through our mobile application.
The application can be downloaded from :
• iTunes Apple Store
• Google Play Store

FINANCIAL CALENDAR

ANNOUNCEMENT OF QUARTERLY RESULT 2017

25 May 2017
Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2017

24 August 2017
Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2017

20 November 2017
Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2017

26 February 2018
Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2017

PROPOSED ANNOUNCEMENT OF QUARTERLY RESULT 2018

17 May 2018
Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2018

16 August 2018
Announcement of the unaudited consolidated results for the 2nd quarter ending 30 June 2018

19 November 2018
Announcement of the unaudited consolidated results for the 3rd quarter ending 30 September 2018

To Be Confirmed
Announcement of the unaudited consolidated results for the 4th quarter ending 31 December 2018

DIVIDEND

1st Interim Dividend of 3.0 Sen Per Share
First interim single tier dividend of 3.0 sen per ordinary share for the financial year ended 31 December 2017

29 August 2017
Announcement of the notice of entitlement and payment

18 September 2017
Date of entitlement

28 September 2017
Date of payment

2nd Interim Dividend of 4.0 Sen Per Share
Second interim single tier dividend of 4.0 sen per ordinary share for the financial year ended 31 December 2017

26 February 2018
Announcement of the notice of entitlement and payment

23 March 2018
Date of entitlement

19 April 2018
Date of payment

ANNUAL REPORT & ANNUAL GENERAL MEETING

30 April 2018
Date of notice of 4th Annual General Meeting and date of issuance of Annual Report 2017

20 June 2018
Date of 4th Annual General Meeting

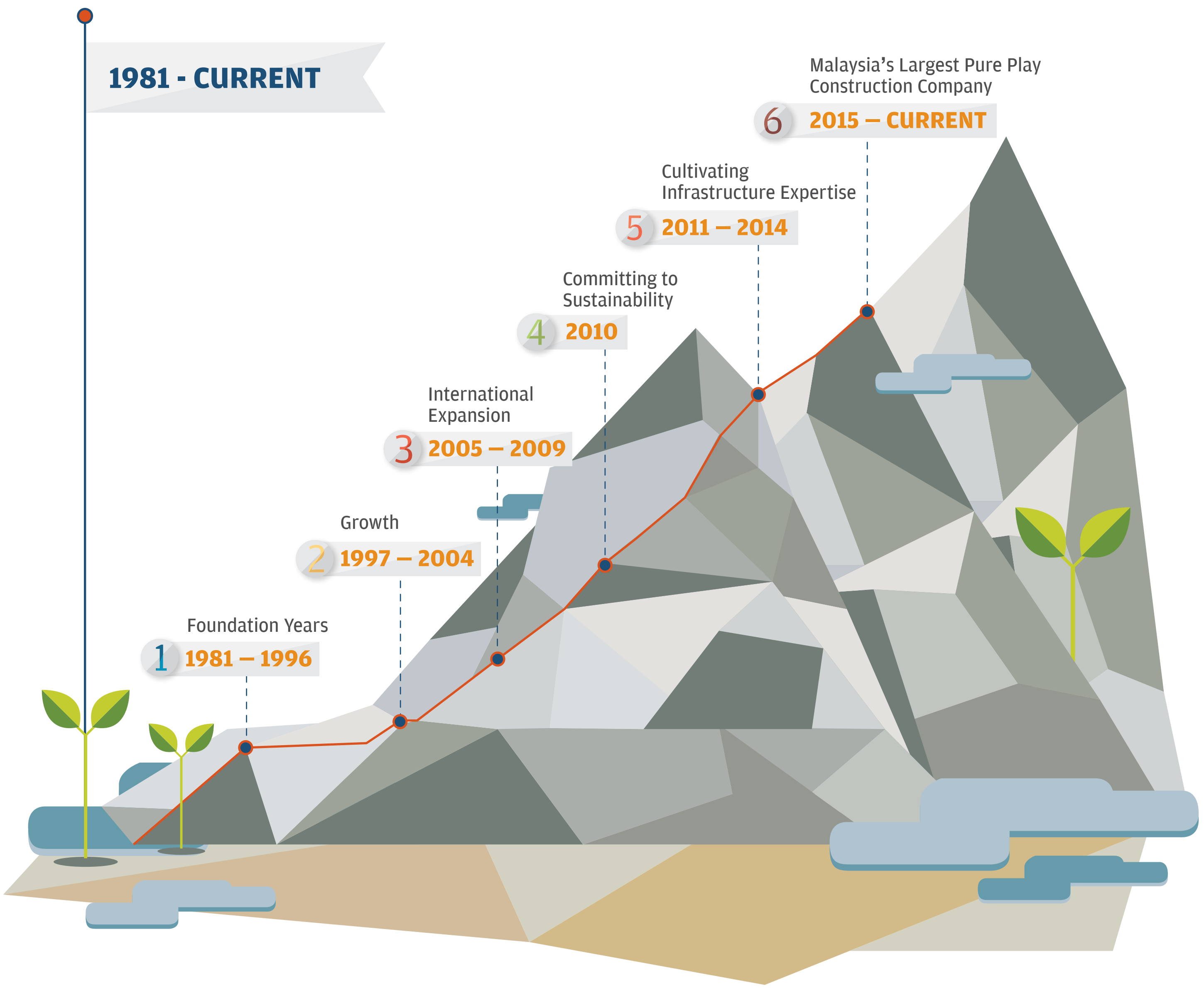
SUNCON AT A GLANCE

SunCon believes that delivering landmark projects begins with a vision that eventually becomes reality through passion and determination.

With every construction project we undertake, we enrich the lives of people, fostering long-term progress and economic growth.

Since 1981, we have undertaken more than RM25 billion worth of projects across six countries. Our company and culture are built on more than three decades of leadership and a relentless adherence to our values, the core of which are Integrity, Humility and Excellence. These values are the one driving our delivery.

This annual report describes our responsibilities as a sustainable builder, how we build our projects, and more importantly, how we are as a socially responsible organisation. Diagram below depicts how SunCon's growth which can be categorised in 6 phases.



A TRACK RECORD OF 36 years OF EXCELLENCE

No.1 pure play contractor listed on Bursa Malaysia

2,097 including direct workers

880 direct workers quota aproved

Market capitalisation more than **RM3 billion**

Completed construction projects in **6 countries**:

Trinidad and Tobago, Taiwan, Singapore, United Arab Emirates, India and Malaysia.

FTSE Top 100 stock

Fleet of machinery include:

- **31** Boring Rigs
- **20** Tower Cranes
- **11** Crawler Cranes
- **28** Hydraulic/Wheeled Excavators
- **5** Launching Girders
- **64,000m²** Formwork System
- **15** Rough Terrains/Mobile Cranes

RM25 billion turnover recorded to-date

Invested in cutting-edge technology **Virtual Design Construction** since **2010** with **RM31 million invested** to-date

5 core services end-to-end construction **solutions provider**

1st construction company to be included in the **FTSE4Good Index**

FTSE4Good

2 Precast Plants at **156,600m³** capacity

CORPORATE PROFILE

Early Days of the Group : Laying the Foundation for Future Growth

FOUNDATION YEARS
1981 - 1996

We commenced operations as Sungei Way Quarry & Construction Sdn Bhd in March 1981 with our first project being a carpark and road resurfacing works for a shoplot owned by Selangor Properties Berhad in Bukit Damansara. The project was valued at RM21,000 and was completed in two days. Subsequently, we undertook smaller infrastructure projects, and grew our portfolio with residential and commercial projects in Bandar Sunway.

In 1992, we had established our precast division in Malaysia and following that, we had set-up our precast division in Singapore in 1994. We also established our engineering, plant and machinery, and geotechnical divisions.

Awards and Accolades from The Malaysian Construction Industry Excellence Awards

GROWTH
1997 - 2004

On 12 June 1997, we listed Sungei Way Construction Sdn Bhd on the Main Board of the then Kuala Lumpur Stock Exchange, which was then renamed as Sunway Construction Berhad in 1999.

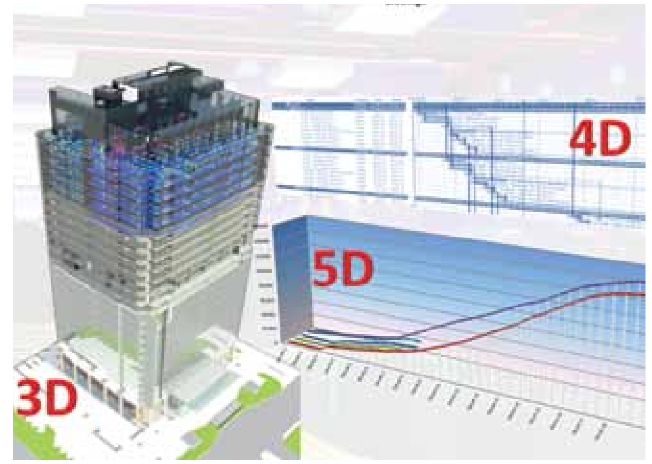
The listing was an important milestone for the Group, signifying a period of growth, although we were subsequently privatised in August 2004. During this time, we established quality systems for health and safety standards within the organisation. In 2003, we were awarded our first Builder of the Year award by the Malaysian Construction Industry Excellence Award, our first of three.

Rihan Heights, Abu Dhabi

INTERNATIONAL EXPANSION
2005-2009

Having built our reputation nationwide, we had then undertaken international projects to gain international exposure in four countries over a short span of four years.

In Trinidad and Tobago, we undertook works for constructing a tower for the Ministry of Legal Affairs; in India we worked to construct roadworks for the National Highway Authority of India and the Cochin Port Connectivity Vallapadam; in Singapore we constructed a public housing development project with the Singapore Housing Development Board; in the United Arab Emirates, we constructed two projects, namely Al-Reem Island and Rihan Heights.



Building Information Modelling (BIM) Integration

COMMITTING TO SUSTAINABILITY
2010

Moving to digitalise the construction process for Total Quality Management (TQM) to further improve the sustainability of our processes and business operations, we implemented Virtual Design Construction (VDC) in 2010 and launched our journey towards Total Quality Management in 2010. We were the first in Malaysia to integrated VDC technology into our construction processes.

SunCon now embraces 3D (design), 4D (time), 5D (costing) and latest 6D (project life management cycle) to ensure seamless transfer of information and data between project partners.

Mass Rapid Transit (MRT) Project - Sg Buloh - Kajang Package V4 from Section 17 Petaling Jaya to Semantan Portal

CULTIVATING INFRASTRUCTURE EXPERTISE
2011 - 2014

Enhancing on our expertise and experience from constructing the Kajang SILK Highway and seven highways in India, we have continued to foster our proficiency in infrastructure projects by undertaking rail projects. We were awarded our first rail project, the Kelana Jaya Line Light Rail Transit (LRT) Extension in 2011. In 2012 we secured our first Mass Rapid Transit (MRT) Project - Sg Buloh - Kajang Package V4 from Section 17 Petaling Jaya to Semantan Portal. In 2013, we were contracted to construct Malaysia's first Bus Rapid Transit (BRT) Sunway Line.

Iskandar Precast Plant

MALAYSIA'S LARGEST PURE PLAY CONSTRUCTION COMPANY
2015 - CURRENT

We are now an integrated construction service Group with capabilities to provide integrated services and products across different phases of construction, from design to completion. Our provision of foundation and geotechnical engineering services; mechanical, electrical and plumbing services; and manufacturing and sale of precast concrete products business complete our service offering as an end to end total construction solution provider. We are also supported by a large fleet of construction machinery and equipment under the machinery and logistics unit. In 2015, the listing of SunCon further enhance Sunway's brand recognition and visibility among existing and potential customers, and will hopefully propel us in winning more contracts locally and abroad. Our share prices have steadily increased, with investors being impartial to our pure play feature, strong order book and net cash balance sheet. In October 2017, SunCon is proud to be awarded our second Light Rail Transit project, LRT 3 which was our biggest contract obtained since incorporation.

PROJECT MILESTONES

FOUNDATION YEARS 1981 - 1996

1981 • JUNE
Carpark and road resurfacing for shoplot complex owned by Selangor Properties Bhd in Bukit Damansara

1985
Construction of Highway Centre, Petaling Jaya

Construction of Subang Interchange from Federal Highway to Subang Jaya

1989
Infrastructure works in Section 6, 11, 12 and 13, Shah Alam

1989 • 31 JULY
Single-storey medium cost houses, Phase 1A, Bandar Sunway

1989 • 30 SEPTEMBER
Construction of earlier abandoned Jetty and Public Amenities, Kuah, Langkawi

1991 • NOVEMBER
Commenced construction of Menara Sunway, Sunway Construction's corporate HQ (RM56 million for Phase 1 and Phase 2)

1992 • NOVEMBER
Completed the access road to Pulau Lumut & South Connection, Port Klang

1996 • JANUARY
Completed our first hotel development - Sunway Lagoon Resort Hotel (RM161 million)

1996 • NOVEMBER
Completed our first mall development - Sunway Pyramid Shopping and Convention Centre (RM209 million)

GROWTH 1997 - 2004

1997 • SEPTEMBER
Completed our first design & build project utilising precast technology - Short Term Car Park, KLIA (RM171 million)

1999 • JUNE
Completed our first medical centre - Sunway Medical Centre

1999 • JULY
Completed our first international project - Provision of Construction Management Services for The Combined Cycle Power Plant (960 MW) Project, Hai-Fu, Taiwan

2001 • JUNE
First venture into India - Belgaum Bypass, for the National Highways Authority of India (97.6 crores)

2002 • 30 SEPTEMBER
Completed the Ministry of Finance Building, our first government building in Putrajaya (design & build) (RM139 million)

2004 • 11 JUNE
Completed our first turnkey project - Kajang-SILK Highway (RM1.05 billion)

INTERNATIONAL EXPANSION 2005 - 2009

2005 • MARCH
Completed our first iconic design & build project - Kuala Lumpur Convention Centre (RM549 million)

2005 • MAY
First venture into Trinidad & Tobago - Ministry of Legal Affairs Tower (TT369 million)

2005 • JULY
Simultaneous award by ASEAN Development Bank aided projects by National Highway Authority of India

East-West Corridor roadworks, Rajasthan, India (287 crores)

East-West Corridor roadworks, Uttar Pradesh, India (415 crores)

2006 • OCTOBER
First venture into the Middle East - Al-Reem Island Development, Abu Dhabi, on a joint venture with a Malaysian consortium (AED1.33 billion)

2007 • JUNE
Awarded our first public housing development project with Singapore Housing Development Board, City View at Boon Keng (SGD23 million)

Completed our first education institution - Monash University Malaysia Campus (RM119 million)

2007 • AUGUST
Seventh and final project in India. Cochin Port Connectivity Vallapadam, Cochin, India (330 crores)

2007 • SEPTEMBER
Awarded Ministry of Housing and Local Government & Ministry of Women, Family and Community Development Building in Putrajaya (RM520 million)

2008 • NOVEMBER
Awarded our single largest overseas contract to date - Rihan Heights, Abu Dhabi (AED1.88 billion)

Completed our first high-tech manufacturing facility on a fast-track design & build approach - Spirit Aerosystems Facility, Subang (RM120 million, completed in 11 months)

COMMITTING TO SUSTAINABILITY 2010

2010
First construction company in Malaysia to implement Virtual Design and Construction (VDC)

2010 • MAY
Piling for Sunway Pinnacle, Bandar Sunway (RM88 million)

CULTIVATING INFRASTRUCTURE EXPERTISE 2011 - 2014

2011 • OCTOBER
First Light Rail Transit project - LRT Package B, Kelana Jaya Line Extension (RM569 million)

2011 • DECEMBER
Largest piling works by Sunway Geotechnics - Sunway Velocity Phase 3 (RM291 million)

2012 • FEBRUARY
Piling works by Sunway Geotechnics - Sunway Velocity Mall (RM179 million)

2012 • JUNE
First Mass Rapid Transit Line 1 : Sungai Buloh - Kajang (SBK) Package V4 from Section 17 Petaling Jaya to Semantan Portal (RM1.18 billion)

2013 • MARCH
Awarded Malaysia's first elevated Bus Rapid Transit - BRT Sunway Line (RM452 million)

2014
Precast division, Sunway Concrete Products (S) Pte Ltd produced its first 3D Precast Bathroom Units (PBU) and had subsequently secured 3 PBUs project in 2015

2014 • OCTOBER
Mechanical, Electrical and Plumbing works for Pasar Seni MRT Station, Kuala Lumpur (RM23 million)

MALAYSIA'S LARGEST PURE PLAY CONSTRUCTION COMPANY 2015 - CURRENT

2015 • SEPTEMBER
Parcel F in Putrajaya (RM1.60 billion)

2016 • APRIL
Mass Rapid Transit Line 2 : Sungai Buloh Serdang - Putrajaya (SSP) Package V201 from Sungai Buloh to Persiaran Dagang (RM1.18 billion)

2016 • DECEMBER
Completed and Opening of new Sunway Velocity Mall, Cheras, Kuala Lumpur (RM330 million)

2017 • MAY
Completed and Opening Sunway Medical Centre Tower C (RM167 million)

2017 • SEPTEMBER
Awarded first east coast project at Kelantan - PPA1M apartment (RM581 million)

Completed and Opening of Sunway Velocity Hotel, Kuala Lumpur (RM78 million)

2017 • OCTOBER
Second Light Rail Transit project and largest local project - Package GS07-08 for Light Rail Transit Line 3 from Bandar Utama to Johan Setia (RM2.18 billion)

2017 • NOVEMBER
Handover and obtained CPC for Sunway Citrine at Iskandar (RM213 million)

2017 • DECEMBER
Opening of Coastal Highway Southern Link (RM170 million)

The Opening of Coastal Highway Southern Link (CHSL)

(From left)
- ***Anwar Syahr bin Abdul Ajib*** *– UEM Sunrise Berhad Managing Director*
- ***Puteri Adib Azhari Daud*** *– Iskandar City Council Mayor*
- ***Datuk Ir Hasni Mohammad*** *– State Public Works Committee, State Rural and Regional Development Committee*
- ***Tan Sri Dr Jeffery Cheah AO*** *– Founder and Chairman of Sunway Group*
- ***Eric Lee*** *– Executive Director of Mulpha International Bhd.*

This year, the design for our Annual Report cover features a Top, or better known as *Gasing* in Bahasa Malaysia. *Gasing* is a traditional Malay game that is very popular in Malaysia. The spinning motion of the *Gasing* while being perfectly balanced on the ground symbolises SunCon's stability. At SunCon, we believe in moving ahead in a rapid manner, thus maintaining a continuous momentum while still keeping agile, and ensuring we uphold our core values at the same time. Apart from the creation of momentum, the *Gasing* also represents Malaysia and that SunCon is a Malaysian born and bred company.

ABOUT THIS REPORT

As part of our on-going efforts to improve corporate reporting, SunCon has begun our journey in integrated reporting. As this is our inaugural attempt, SunCon hopes that this report can be an effective tool for our stakeholders to understand our organisation's strategy, governance, performance and prospects and how all this translates into value creation over short, medium and long term. SunCon sincerely hopes that this would be a great platform for us to depict our values and goals toward achieving a symbiotic relationship with our esteemed stakeholders. With better understanding of SunCon, stakeholders can then establish and maintain a continuous relationship with us.

Navigation Panes

- Management Discussion and Analysis
- Financials
- Sustainability Statement: Economic
- Environment
- Social

Foundation Works in Sunway Serene, Kelana Jaya

Sunway Construction Annual Report 2017

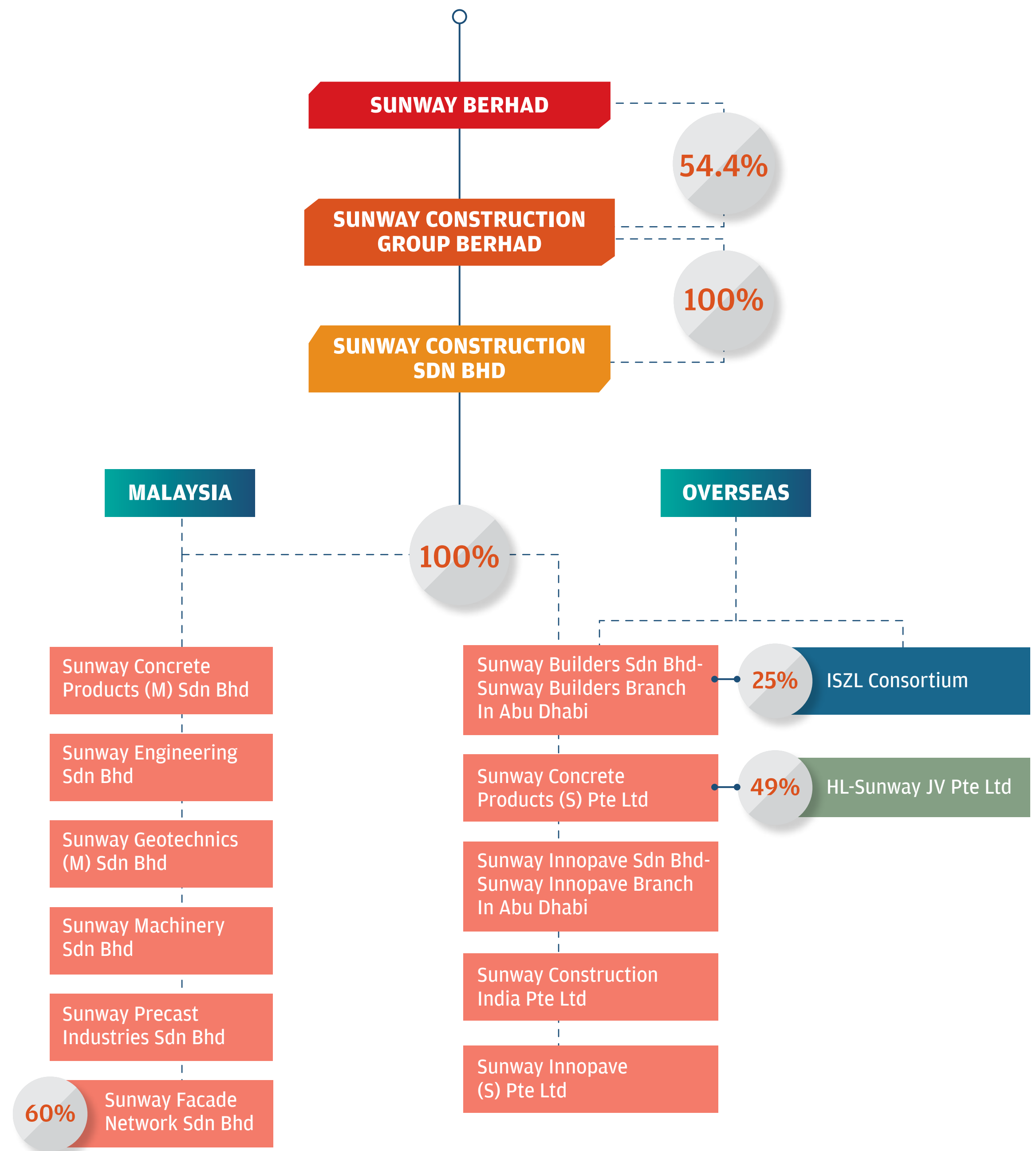
CONTENT

SUNWAY CONSTRUCTION

UNEARTHING PRINCIPLES THAT ENSURE SUCCESS

Inspired by our principles of success, Sunway Construction is built on a foundation of meticulous planning and cutting-edge materials to create top-notch developments of the future.

GROUP CORPORATE STRUCTURE



* Only major subsidiaries and joint ventures are illustrated.

- Incorporated Joint Venture
- Subsidiary Companies
- Consortium

SUNCON IN CALENDAR

CORPORATE EVENTS

SunCon understands that fostering a relationship based on trust and support from all stakeholders is of vital importance. We are very honoured to support and to be supported by stakeholders ranging from employees, clients, industry affiliates and various government organisation.

LET'S GET TOGETHER — SUNCON FAMILY DAY
19 FEBRUARY 2017
SunCon Family Day receives great participation from staff and family members.

MINISTER OF HUMAN RESOURCES VISITS PARCEL F, PUTRAJAYA
28 FEBRUARY 2017
SunCon was privileged to welcome YB Dato' Sri Richard Riot Anak Raem, Ministry of Human Resources Malaysia to Parcel F, Putrajaya for his annual construction site visits. The Minister's entourage also includes YB Dato' Sri Haji Ismail bin Haji Abdul Muttalib, Deputy Minister of Human Resources, YBhg Dato' Mohd Sahar bin Darusman, Deputy Secretary General (Policy and International), and YBhg Dato' Ir Mohtar bin Musri, Director General, Department of Occupational Safety and Health (DOSH). During the event, Parcel F also received a 5 Star Rating from DOSH on its compliance to Safety and Health for Working at Height, Concreting and Lifting Works.

MASTER BUILDERS ASSOCIATION MALAYSIA (MBAM) — BOWLING, FUTSAL AND BADMINTON TOURNAMENT

SUNCON MD TOUR
MAY 2017
SunCon MD Tour is a new initiative to bridge the communication gaps between employee and top management. It serves as a platform to connect, collaborate and align SunCon's strategic objectives with employees at all levels. There were 5 sessions of open dialogues between Mr Chung, our Managing Director with employees across Central and Southern region.

Sunway Construction Annual Report 2017

SUNWAY CONSTRUCTION GROUP BERHAD 3RD ANNUAL GENERAL MEETING
15 JUNE 2017
Sunway Construction Group Berhad held it's 3rd Annual General Meeting (AGM) at the Sunway Resort Hotel and Spa on 15 June 2017.

ZERO LARVAE PLEDGE - "COMBI DI TAPAK BINAAN PERINGKAT DAERAH"
11 OCTOBER 2017
The district level Zero Larvae Pledge was held in Sunway Geo Retail Shops.

THE BURSA BULL CHARGE
14 SEPTEMBER 2017

HIGH LEVEL ESH COUNCIL (HLEC) VISIT TO SOUTHERN REGION
9 NOVEMBER 2017
The High Level ESH Council Members visited and performed ergonomic assessment at the Sunway Iskandar Precast Plant. They have also visited the Emerald Residence, Big Box Village and Emerald Boulevard 88.

SUNCON IN CALENDAR

SOCIAL EVENTS

SunCon is driven by public value and constantly embracing responsibility and encouraging a positive impact through the company's activities related to the environment, employees, communities, and other stakeholders. We believe that it should be embedded in the business, rather than an afterthought. At SunCon, we work closely with public value organisations, particularly those in the public and community sectors to carry out philanthropic efforts that could benefit the public. In 2017, we have contributed to the society a total of RM991,000 (2016: RM433,000).

SPONSORSHIP FOOTBALL ASSOCIATION OF SELANGOR 2017/18

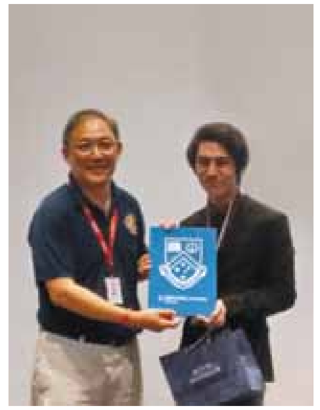
SunCon became the sponsorship partner for Selangor Football team participating in 2017/2018 season of Malaysia League (M-League) with the aim of rising to the challenge of building and maintaining the member's elite status.

TABUNG AMANAH WARISAN POLIS (TAWP)

Tabung Amanah Warisan Polis (TAWP) is a charitable trust incorporated with the mission of taking care the retired policemen' welfare and its families in terms of medical, education as well as other natural disaster care. SunCon has supported this mission by contributing in monetary term.

EILP

SunCon became the main sponsor for the third consecutive year for Engineering & IT Leadership Programme (EILP). It is a 12 months program running from May 2017 until April 2018. We were glad that we could mould our youths to be the next generation of holistic leaders, upholding the values of excellence, entrepreneurship and ethics.



SEKOLAH SULTAN ALAM SHAH UPGRADE OF FOOTBALL FIELD

We were pleased to take part in "SAS Multi Talented Achievers- From Great to Exceptional" programme organised by Sekolah Sultan Alam Shah, Putrajaya. We have contributed in upgrading its football field and up-keeping the field's surroundings.

FESTIVAL LIGHT AND MOTION (LAMPU) 2017

SunCon has once again became the collaborative partner with Perbadanan Putrajaya (PPJ). This time we supported the Festival Lights and Motion (LAMPU) 2017. This year, it has attracted more than 1 million visitors and it is also the biggest light festival for the past 5 years.

ACKU CHARITY RUN 2017

SunCon has also sponsored One Caring Heart Charity Run 2017. SunCon employees have participated in this event alongside their family members.

SECURITY GUARD'S WELFARE

SunCon Social Club has expressed our sympathy to our employees who were succumbed to cancer and stroke by contributing to the deceased families. The management has visited their families' members to show our condolence to them.

RUN FOR A CAUSE

Run for A Cause – Build A Home is an initiative led by SunCon Social Club (SSC) which involves collecting donation pledges for the achievements of Ms Lim Siaw Hua, whom has participated in the Al Andalus Ultimate Trail (AAUT), a 5 stages, 230km ultra-marathon in 5 days at Andalus, Spain. Each pledge is structured by the number of stages the runner completed in the ultra-marathon. Each successful pledge will be channeled to the Build a Home Programme, a CSR project by SSC held in September 2017. This programme aims to build a home at Kampung Orang Asli Ulu Geruntum in Gopeng, Perak. Consisting of 4 villages with an average of 40 families living in each village, Kampung Orang Asli Ulu Geruntum is located 30 minutes away from the main roundabout in Gopeng town.

LIGHT FOR LIFE

MBAM Publications & Outreach Committee together with a total of 88 volunteers from various associate members of MBAM have come together to help in raising the standard of living of the Orang Asli Community near Tasik Temenggor Royal Belum State Perak. SunCon has sponsored for this MBAM CSR Activity 2017- Light for Life Project.

PJKITA

SunCon participated in PJKITA, which is a community initiative led by Petaling Jaya City Council (MBPJ) to engage with citizens through multiple channels, learn about their ideas and aspirations to achieve a sustainable, creative and community-driven city. The components of the PJKITA community centre includes a shopping zone, a youth and children zone, offices, a food hall and market section, skateboard area and an inclusive sports zone. This project aims to engage and bring the community together. To this, SunCon has contributed in the construction works.

CHORAL SERENADE TO MUSIC

SunCon sponsored the Jeffrey Cheah Foundation (JCF)'s fifth charity recital. This year, the proceeds went towards the Nasional Kidney Foundation to provide dialysis machines for underserved kidney patient.

MALAYSIA INSTITUTE OF PLANNER : PLANT A TREE EVENT IN CONJUNCTION WITH THE WORLD TOWN PLANNING DAY 2017

SunCon makes a conscientious effort to support many of the nation's bodies.

- Malaysian Institute of Planner
- SPAD Land and Public Transport (LPT)

PAST YEARS PROMINENT AWARDS

2016

MALAYSIA-ASEAN CORPORATE GOVERNANCE 2016 AWARD
Industry Excellence Award
(Property and Construction)

2015

MALAYSIA INVESTOR RELATIONS ASSOCIATION (MIRA)
i) Best Investor Relations for An Initial Public Offering in 2015
ii) Best Chief Financial Officer (Main Board - Mid Cap)
iii) Best Investor Relations Website (Main Board - Mid Cap)

2014

MITI INDUSTRY EXCELLENCE AWARDS (AKI)
Category 3
Services Sector Award

2013

BUILDER OF THE YEAR
The Malaysian Construction Industry Excellence Awards

SIRIM QUALITY AWARD (ORGANISATION)

2012

INTERNATIONAL ACHIEVEMENT AWARD
The Malaysian Construction Industry Excellence Awards

2010

INTERNATIONAL ACHIEVEMENT CATEGORY
The Malaysian Construction Industry Excellence Awards
(Special Mention Award)

2009

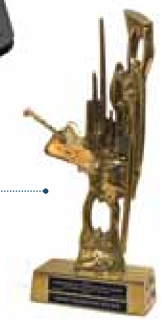
CONTRACTOR AWARD GRADE G7
The Malaysian Construction Industry Excellence Awards

NATIONAL AWARD OF MANAGEMENT ACCOUNTING (NAFMA)

MALAYSIAN SOCIETY FOR OCCUPATIONAL SAFETY AND HEALTH (MSOSH) OSH AWARD
(Putrajaya 4G10 & 11, Putrajaya P17)

23RD ANNUAL SINGAPORE 1000
Sunway Concrete Products (S) Pte Ltd

21ST INTERNATIONAL CONSTRUCTION AWARD
Sunway Engineering Sdn Bhd



2006

PROJECT AWARD
Building • Major Scale •
The Malaysian Construction Industry Excellence Awards

2005

BUILDER OF THE YEAR
The Malaysian Construction Industry Excellence Awards

2003

BUILDER OF THE YEAR
The Malaysian Construction Industry Excellence Awards

ACCOLADES

1 **10 JANUARY 2017**

ACCA MALAYSIA SUSTAINABILITY REPORTING (MASRA) AWARDS

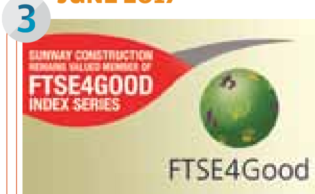
SunCon was one of the 24 shortlisted report from the total of 49 participating organisations in 2017.

2 **16 MAY 2017**

MASTER BUILDERS ASSOCIATION MALAYSIA (MBAM) AWARD
Safety and Health Category

YBhg Dato' Dr Ir Johari bin Basri, Independent Non-Executive Director, High Level ESH Council Chairman, SunCon Group Berhad was awarded the Golden Helmet Award while Mr Teh Hang Loong of SunCon Sdn Bhd received the MBAM Safety and Health Award for Site Personnel. The Golden Helmet Award is presented to a person with an outstanding and significant leadership contribution to Safety and Health in the Construction Industry. The Safety and Health Award for Site Personnel is presented to a person who has shown high commitment to the implementation of Safety and Healthy at construction site(s).

3 **JUNE 2017**



FTSE4GOOD INDEX SERIES AWARD

SunCon was first included in the index in June 2015, meeting the inclusion criteria for demonstrating strong Environmental Social and Governance (ESG) practices measured against globally recognised standards within the top 200 Malaysian stocks in the FTSE Bursa Malaysia Emas Index based on 14 separate themes. SunCon continues to remain as a constituent of the FTSE4Good Bursa Malaysia Index series following a review in June 2017.

4 **8 AUGUST 2017**

MALAYSIAN INSTITUTE OF CORPORATE GOVERNANCE (MICG) AWARD

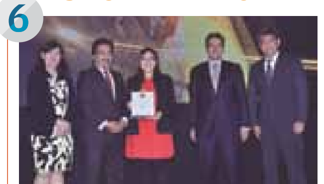
SunCon placed 4th in the inaugural report of transparency in corporate reporting among Malaysia's top 100 public listed companies. SunCon ranks just after 3 listed subsidiaries of Petronas. Companies were ranked in 3 areas - organisational transparency, anti-corruption programmes and sustainability practices. SunCon's positive transparency rating underscores Sunway's core value of integrity in its accountability to stakeholders, in addition to the manifestation of the values of Humility and Excellence in all its undertakings.

5 **24 AUGUST 2017**

OCCUPATIONAL SAFETY AND HEALTH (OSH) AWARD

SunCon has been recognised at the Malayan Society for Occupational Safety and Health (MSOSH) for its commendable Safety and Health record. SunCon took home six awards, the highest number of awards for various Construction & Engineering Construction Sector projects. Parcel F, Putrajaya won the Gold Award Class I, the highest award to be won by a Construction & Engineering Construction company. MRT V201, KLCC Package 1 and 2 and Emerald Residence won the Gold Award Class II and Velocity Hotel won a Silver Award. SunCon's project sites were rated "Very Good OSH Performance" for its Gold Award Class I and II winners and "Good OSH Performance" for its Silver winner.

6 **23 NOVEMBER 2017**



NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

SunCon garnered its share of recognition with a Certificate of Merit. NACRA aims to promote greater and more effective communication by organisations through timely, informative, factual, and reader friendly annual reports, and to promote higher standards of corporate governance.

7 **6 DECEMBER 2017**

CORPORATE GOVERNANCE – INDUSTRY EXCELLENCE AWARD
Property & Construction Category

SunCon was recognised at the MSWG-ASEAN Corporate Governance Recognition 2017 which identifies the top 100 Malaysian public listed companies (PLCs) based on the disclosures from 900 companies assessed using the ASEAN Corporate Governance Scorecard, approved by the ASEAN Capital Markets Forum (ACMF). SunCon also moved up the ranks to 12th position for overall corporate governance and performance. Yang Berhormat Dato' Wira Othman Bin Aziz, Deputy Finance Minister I, delivered the keynote address and presented the recognition awards to the PLCs that have demonstrated exemplary high standards of corporate governance practices as well as to individuals who have championed good corporate governance.

Sunway Construction Annual Report 2017

VALUE CREATION

CONSTRUCTION

COMPETITIVE ADVANTAGE THROUGH THE CREATION OF DIGITAL DATA

USAGE OF **BIM TECHNOLOGY** ENABLES BETTER **COORDINATION** AS **TRANSPARENT INFORMATION** IS AVAILABLE DIGITALLY

OUR INPUTS

FINANCIAL

SunCon practices robust capital management system to maintain stable and healthy financial position at all times.

** Details of our financial inputs can be found in the **Capital Management** section.*

INTELLECTUAL

SunCon maintains strong presence within the construction sector through our track record over the years coupled with the strong Sunway Brand. SunCon is also constantly looking at ways to improve construction methology.

** Details of our business operations can be found in the **Review of Group's Business and Operations** section of this report.*

NATURE

SunCon acknowledges the environmental challenges caused by the nature of it's construction business and constantly integrates efforts to minimise damage.

** Details of our environmental initiatives can be found in the **Environmental – Sustainability** section of this report.*

SOCIAL & RELATIONSHIP

SunCon engages and maintains strong relationship with its key stakeholders.

** Details of our social and relationship initiatives can be found in the **Stakeholders' Engagement – Sustainability** section of this report.*

HUMAN CAPITAL

SunCon engages with it's employees and invests on human capital development.

2017 Construction Workforce : 2036

** Details of our human capital initiatives can be found in the **Social : Labour and Decent Works – Sustainability** section of this report.*

MANUFACTURED CAPITAL

SunCon invested a total of RM44.7 million in 2017 for capital expansion.

BUSINESS ACTIVITIES

INDIRECT INVITATION

DIRECT INVITATION

TENDER

PARTICIPATE?

NO → Decline invitation

YES → Prepare and submit tender documents

SUCCESSFUL?

NO → Withdraw

YES →

- Pre-construction
- Procurement
- Construction works
- Completion works (including mechanical, engineering and plumbing)
- Handover
- Post construction

Tender team uses the data collected from past projects coupled with current market trend to put up a competitive bid.

- Operations team works with the relevant authorities to ensure proper working permits are obtained before the commencement of project.
- Planning team works out the project scheduling while BIM modellers chart out the 3D models.

** Details of our VDC technology and permits can be found in **Business Objectives and Strategy and Economic – Sustainability** section.*

- Supply chain and contracts management (SCCM) team practices responsible supply chain by conducting regular Supplier/Subcontractors Assessment.
- The Group also stresses the importance of hiring legal workers and choosing environmentally friendly products.
- SCCM also practices bulk purchase to achieve economies of scale within the Group.

** Details of our supply chain management can be found in **Economic – Sustainability** section.*

- Operational team works closely with all Planning, Technical, Environmental, Safety and Health team to ensure that the projects are delivered timely and with good quality.
- Safety team ensures that all safety measures are taken at the construction site at all times.
- Quality team performs assessment to ensure that the quality products are being delivered.
- VDC technology is employed to perform clash detections and to increase the site efficiency as a whole.

** Details of our process of construction activities can be obtained from various section in the **Sustainability** section.*

OUTPUTS

CORE BUSINESS OUTPUTS

- Foundation and Geotechnical Engineering Services
- Building Construction Services
- Mechanical, Electrical & Plumbing Services
- Civil/Infrastructure Construction Services

** Details of our business operations can be found in the **Review of Group's Business and Operations** section.*

CONSTRUCTION RESIDUAL

- Monitored Air Pollution
- Renewable Construction Waste
- Monitored Noise Pollution
- Monitored Water Pollution
- Toxic Waste

** Details of our environmental initiatives can be found in the **Environmental – Sustainability** section.*

OUR OUTCOMES

- Turnover **RM1,931 million**
- PAT **RM113.7 million**
- New Order Book **RM3,799 million**

- Number of Work-Related Fatalities **Zero**

Average QLASSIC Score **77.2%**	Industry QLASSIC Score **75%**

FTSE4Good

- Results on **Subcontractors' assessment**

	2016	2017
Overall Score	74.3	75.7
Satisfaction (Yes)	92.1	96.7
Responded Rate	97.0	99.2

- **Employee Engagement Survey**

2015 59% → **2017 69%**

- **Staff Productivity**

2016 10 times → **2017 12 times**

GUIDED BY OUR **MISSION** IN ACHIEVING THE **HIGHEST STANDARDS OF QUALITY, ENVIRONMENTAL, SAFETY AND HEALTH**

OUR CORE VALUES: **INTEGRITY, HUMILITY** AND **EXCELLENCE**

VALUE CREATION

PRECAST

COMPETITIVE ADVANTAGE THROUGH THE CREATION OF DIGITAL DATA

USAGE OF **BIM TECHNOLOGY** ENABLES BETTER **COORDINATION** AS **TRANSPARENT INFORMATION** IS AVAILABLE DIGITALLY

OUR INPUTS

FINANCIAL

SunCon's precast division maintains a reasonable margin and a healthy balance sheet at all times.

** Details of our financial inputs can be found in the **Capital Management** section.*

INTELLECTUAL

SunCon's precast division maintains strong presence as a precaster in the Singapore construction market.

** Details of our business operations can be found in the **Review of Group's Business and Operations** section.*

NATURE

SunCon acknowledges the environmental challenges caused by the nature of it's construction business and constantly integrates efforts to minimise damage.

** Details of our environmental initiatives can be found in the **Environmental — Sustainability** section.*

SOCIAL & RELATIONSHIP

SunCon engages and maintains strong relationship with its key stakeholders.

** Details of our social and relationship initiatives can be found in the **Stakeholders' Engagement — Sustainability** section.*

HUMAN CAPITAL

SunCon engages with it's employees and invests on human capital development.

2017 Precast Workforce : 61

** Details of our human capital initiatives can be found in the **Social : Labour and Decent Works — Sustainability** section.*

MANUFACTURED CAPITAL

SunCon invested in the mechanisation of our 2 plants in Senai and Iskandar in view to improve productivity with RM10 million invested in 2017.

BUSINESS ACTIVITIES

MOULD PREPARATION AND REINFORCEMENT

MOULD REINFORCEMENT INSPECTION

- Rectify non-conformance

- Concrete slump test
- Casting

TEST CUBE

- Demoulding

QUALITY CONTROL INSPECTION (POST-POUR)

- Reject
- Repair
- Storage

PRE-DELIVERY QUALITY CONTROL INSPECTION

- Repair
- Final quality control inspection

DELIVERY

OUTPUTS

CORE BUSINESS OUTPUTS

- Household Shelters
- Prefabricated Bathroom Units (PBU)
- Precast Water Tank
- Refuse Chute
- Precast Wall/Column
- Precast Beam/Column
- Facade

** Details of our business operations can be found in the **Review of Group's Business and Operations** section.*

CONSTRUCTION RESIDUAL

- Renewable Construction Waste
- Monitored Air Pollution
- Monitored Noise Pollution
- Monitored Water Pollution

** Details of our environmental initiatives can be found n the **Environmental — Sustainability** section.*

OUR OUTCOMES

- Turnover **RM144.9 million**
- PAT **RM24.3 million**
- New Order Book **RM158 million**
- **100%** Income tax exemption of statutory income for **5 years** for Iskandar plant

- Faster construction cycle by **10%** to **15%**

- CONQUAS **100%**
- Quality Management System (QMS) **ISO : 9001 : 2015**
- Occupational Health and Safety Management System **OHSAS 18001 : 2007**
- **Prefabricated Prefinished Volumetric Construction (PPVC)** License

- Long relationship with **Main Contractors**

- Employee Engagement Survey
  2015 72% → **2017 80%**

ASSET

2 Precast Plants at **156,600m^3** annual production capacity

GUIDED BY OUR **MISSION** IN ACHIEVING THE **HIGHEST STANDARDS OF QUALITY, ENVIRONMENTAL, SAFETY AND HEALTH**

OUR CORE VALUES: **INTEGRITY, HUMILITY** AND **EXCELLENCE**

CHAIRMAN'S STATEMENT

Malaysia's economy accelerated at a faster pace in 2017 with the gross domestic product (GDP) of 5.9% (2016: 4.2%). The outlook for the construction sector remains positive, buoyed by the government's pump-priming initiatives in the form of mega infrastructure projects. The construction sector recorded a GDP growth of 6.7% (7.4% in 2016).

2017 SUCCESSES

FINANCIAL ACHIEVEMENT

Our new order book wins total **RM4.0 billion**, the highest since we commenced operations in 1981. This led to SunCon achieving our highest outstanding order book ever, which at the end of 2017, amounted to RM6.135 billion.

OUR BIGGEST JOB SECURED TO-DATE:

Package GS07-08 for Light Rail Transit Line 3 (LRT3) from Kawasan 17 to Sri Andalas in the Klang corridor

RM2.18 billion

9.2 km viaduct works	**1** iconic bridge over Klang River (Design & Build)	**2** park & ride (Pasar Besar Klang and Sri Andalas)
6 stations works	**1** Centralised Labour Quarter — CLQ (Johan Setia)	**4th** elevated rail project since 2011

This project will showcase our unique capability as an integrated construction outfit, and demonstrate our strength in combining our foundation and geotechnical, civil infrastructure, building construction and MEP expertise across our value-chain. We are pleased to be part of this impactful project which aims to transform Malaysia's public infrastructure system by improving connectivity, reducing traffic congestion and providing reliable car-free mobility to the public.

We **breached the RM2 billion turnover** for 2017 after hovering below this mark for the past few years.

We were listed in the **Top 100 KLSE** stock rankings on 29 December 2017 when our share price reached RM2.51 with a market capitalisation of **RM3.245 billion**.

SunCon's share price **increased by 47%** from RM1.70 as at the end of December 2016 **to RM2.51** end of December 2017.

EXCELLENCE IN GOVERNANCE

SunCon clinched the Industry Excellence Award 2017 in the Property and Construction Category at the annual MSWG-ASEAN Corporate Governance Recognition award 2017 held on 6 December 2017. This is SunCon's second consecutive win since its listing and we are pleased to be recognised for our efforts in implementing best practices in corporate governance. Overall, SunCon's ranking has improved from placing 17th in 2016 to 12th in 2017.

In the inaugural report by the Malaysian Institute of Corporate Governance (MICG) on corporate reporting transparency launched 8 August 2017, SunCon was ranked fourth in the list published within the "Transparency in Corporate Reporting–Assessing Malaysia's Top 100 Public Listed Companies" report; following three Petronas-owned companies. We are honored to be amongst some of the country's corporate forerunners in the implementation of corporate reporting best practices, and this serves as an impetus for us to enhance our efforts towards ensuring information is being disclosed in a fair and timely manner.

OPERATIONAL ACHIEVEMENTS

On 13 September 2017, MIDA had granted us a 5-year tax exemption for our precast plant in Iskandar, Johor. We are proud to have clinched a total of 6 awards at the Malaysian Society for Occupational Safety and Health (MSOSH) Occupational Safety and Health (OSH) Award 2016. Parcel F, Putrajaya was presented with the Gold Award - Class I, the highest accolade to be won by a construction company, another 4 of our projects were conferred Gold Awards - Class II, while another bagged a Silver award.

We also increased our plants' capacities and invested in more machinery, in particular, to support works for the Package GS07-08 for Light Rail Transit Line 3 (LRT3) from Kawasan 17 to Sri Andalas which is a new order. This also ensures that we have the right proportion of owned assets to rented. Our capital expenditure for 2017 amounted to over RM54.7 million.

The Geotechnical Division has acquired new machineries, and replaced some of its older and smaller machines. We now have 31 units of bore piling machines capable of multi-functional drilling.

On 29 November 2017, SunCon entered into a pre-bid agreement with IJM Construction Sdn Bhd, Maltimur Resources Sdn Bhd and Jalinan Rejang Sdn Bhd as exclusive partners to participate in the tender for the Kuala Lumpur - Singapore High Speed Rail (KL-SG HSR). The parties have set up a quadripartite consortium known as IJM Construction Sdn Bhd - Jalinan Rejang Sdn Bhd - Maltimur Resources Sdn Bhd - Sunway Construction Sdn Bhd Consortium for the submission of the tender and to undertake the project as Project Delivery Partner in the event the bid is successful.

We have also made further progress towards our sustainability objectives by launching the SunCon Hotline to serve as the first point of contact for the public. Through the Hotline, we will gather valuable feedback from our stakeholders to help us improve as a responsible and sustainable construction group.

SunCon handed 10 projects worth over RM1.0 billion.

NO	PROJECT	CONTRACT SUM (RM'MIL)
1	Sunway Geo Commercial Precinct 3	247
2	Sunway Citrine	220
3	Coastal Highway Southern Link	195
4	Sunway Medical Centre 3	172
5	Sunway Velocity Hotel	73
6	Sunway Velocity Link Bridge	16
7	MRT Pasar Seni	32
8	Mengkuang Dam	31
9	Sunway Mont Residences	18
10	Sunway Monash Residence	15

Sunway Velocity Hotel

CHAIRMAN'S STATEMENT (CONT'D)

Chilled Water Plant at MRT Pasar Seni Station

Fire Pump Room at MRT Pasar Seni Station

Sunway Citrine

SUNCON'S FOCUS IN 2018

Considering the sturdy outstanding order book of RM6.135 billion as at December 2017, for 2018, we look forward to sustain the current level of orderbook. We will focus on internal job orders from our parent company, Sunway Berhad, in particular, its hospital expansion plans and various commercial developments following their active land bank acquisition in 2017.

In addition, we will focus on executing and delivering our current projects, especially our 3 major projects, Package GS07 - 08 for Light Rail Transit Line 3 (LRT3) from Kawasan 17 to Sri Andalas; KVMRT Package V201 from Sungai Buloh to Persiaran Dagang; and Parcel F, Putrajaya.

For our Precast segment, our plan is to secure an Integrated Construction Prefabrication Hub tender by the Singapore government, which will contribute to our goal to upscale our precast facility to a fully-mechanised plant to improve productivity. Coupled with this, we also have plans to improve our Senai plant's productivity by implementing some mechanisation initiatives. We also intend to increase the usage of precast technology in our in-house projects and to bolster our future track-record by targeting a commercial project above 50 storeys.

For our Civil Infrastructure segment, we have submitted our tender for the PDP for KL-SG HSR project under IJM Construction Sdn Bhd - Jalinan Rejang Sdn Bhd - Maltimur Resources Sdn Bhd - Sunway Construction Sdn Bhd Consortium in February 2018.

We usher in 2018 with optimism, tempered with caution, as there are several factors which may impact the market moving forward including:

- The impending Malaysia's 14th General Election which might affect the future of infrastructure works in the country;
- Price gains for both crude oil and steel as China commits to push supply-side reforms to reduce overcapacity, both of which will affect the prices of our raw materials;
- A stronger ringgit against United State's unwinding of quantitative easing, which could improve our purchasing power;
- Further in-roads made by China-based construction companies that are taking up major portion of Malaysia's construction industry's GDP.

Acknowledgement

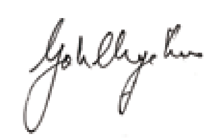
In line with corporate governance best practices, I have relinquished my role as a Senior Independent Director to Dato' Dr Ir Johari. In addition to this, we also see the resignation of Datuk Kwan Foh Kwai on 31 December 2017 as a Non-independent, Non Executive Director as he wishes to focus on his role as an advisor for which his tenure has been extended.

We would like to thank and congratulate Tan Sri Datuk Dr Rebecca Sta Maria for her contributions throughout her tenure as a board member in SunCon. Tan Sri Rebecca has officially resigned from the board of SunCon and has been appointed to the board of Sunway Berhad effective 1 March 2018.

We would like to welcome Dr Sarinder Kumari to our Board who has joined us on 1 March 2018. Dr Sarinder has over 30 years of experience in policy and strategic planning, trade negotiations, as well as regulatory and Government affairs. She has previously held various portfolios with the Ministry of Finance and Ministry of International Trade and Industry of Malaysia (MITI) and is currently responsible for business development activities for PEMANDU Associates. I am sure her vast experience will benefit the Board especially on various strategic matters.

It has been yet another record year for SunCon and this would not have been possible without the stalwart support from our many stakeholders especially the unwavering support from our clients who have put their trust in us, colleagues who have worked hard, shareholders who believe in our ethos, analysts and fund managers who have shared sterling reviews about our growth, bankers who have backed us, and loyal subcontractors and suppliers who have always supported our projects so we can continue to deliver to the highest standards.

DATO' IR GOH CHYE KOON



Chairman
Independent
Non-Executive Director

EXEMPLARY LEADERSHIP

STRENGTH IN STRUCTURAL STABILITY

In our constant pursuit of success, we are supported by pillars of strength that form the structure of the organisation, while also leading our journey to the top.

PROFILE OF BOARD OF DIRECTORS

DATO' IR GOH CHYE KOON

68, MALAYSIAN
MALE

Chairman
Independent Non-Executive Director

Date Appointed to the Board
17 October 2014

Qualifications
- Bachelor of Engineering (Hons) in Civil Engineering, University of Malaya
- Professional Engineer (P.Eng) and a Member of the Institution of Engineers Malaysia (MIEM)

Directorship of Other Public Companies and Listed Issuers
- Nil

Membership of Board Committees
- Audit Committee
- Nomination and Remuneration Committee
- Risk Management Committee

Working Experience and Occupation

Dato' Ir Goh began his career as an engineer in the Ministry of Works, where he served for 11 years rising to the position of Superintending Engineer prior to joining IJM Corporation Berhad as a Senior Engineer in 1984. He was promoted as General Manager (Central Region) in 1986 and subsequently appointed as Alternate Director in 1995 before assuming the position of Deputy Group Managing Director in 1997. He was redesignated Deputy Chief Executive Officer and Deputy Managing Director in 2004 and upon his retirement in 2008, Dato' Ir Goh continued to serve as Executive Director of IJM Corporation Berhad until June 2009 and thereafter Non-Executive from July 2009 until June 2013.

He was a member of the Presidential Consultative Council of the Board of Engineers Malaysia (2002 - 2004) and also a member of the Construction Consultative Panel of Malaysia Productivity Corporation (2003 - 2009). He was the Chairman of the Building Industry Presidents' Council and President of the Master Builders Association Malaysia for the session 2004/2006 and has served as its Deputy President, Vice President and Deputy Secretary General.

Dato' Ir Goh was a board member of the Construction Industry Development Board Malaysia (CIDB) from 2004 to 2006 and served as a Main Committee Member (2001 - 2009) and Chairman of the Working Group for construction projects (Local and Foreign) (2003 - 2009) in the Construction Industry Master Plan of CIDB.

Dato' Ir Goh is currently an Advisory Peer Group Member of the School of Science and Technology at Wawasan Open University since 2010.

PROFILE OF BOARD OF DIRECTORS (CONT'D)

DATO' DR IR JOHARI BIN BASRI

63, MALAYSIAN
MALE

Senior Independent Non-Executive Director

Date Appointed to the Board
17 October 2014

Qualifications
- Bachelor of Engineering in Mechanical Engineering, University Technology Malaysia
- MSc. in Terotechnology, Manchester University, UK
- PhD. in Process Safety, University of Sheffield, UK
- Fellow of the Institute of Engineers Malaysia
- Associate Fellow of The Institution of Chemical Engineer, UK
- Professional Engineer registered with the Board of Engineers Malaysia
- Life member of The Malaysian Society for Occupational Safety and Health

Membership of Board Committees
- Nomination and Remuneration Committee (Chairman)
- Audit Committee
- Risk Management Committee

Directorship of Other Public Companies and Listed Issuers
- Nil

Working Experience and Occupation

Dato' Dr Ir Johari joined the Factories and Machinery Department of Malaysia, which is now known as Department of Occupational Safety and Health (DOSH), as a Factories and Machinery Inspector (engineer) in 1977. He was then promoted as Director of Industrial Safety Division of DOSH in 1997.

In 2000 and 2004, Dato' Dr Ir Johari was seconded from DOSH to be the Executive Director of National Institute of Occupational Safety and Health (NIOSH) Malaysia. He was the Executive Director of NIOSH Malaysia for years 2000 - 2002 and 2004 - 2007. In between that period, he returned to DOSH and assumed the role of Director General where he was responsible for the overall planning and implementation of the core activities of DOSH. Concurrently during his tenure in NIOSH Malaysia from 2004 to 2007, he was the Executive Director of ASEAN-OSHNET, the regional grouping of 10 ASEAN member countries working together towards improving the Safety and Health of the workers. In 2007, he returned to DOSH to resume the role of Director General until his retirement in June 2014.

Dato' Dr Ir Johari was also a member of the board of directors of NIOSH (2007 - 2014), board of member of CIDB (2007 - 2014), Chairman for the Industrial Standard Committee of Occupational Safety and Health (ISCW) SIRIM Berhad (2007 - 2014) and Member for Malaysian National Standards Committees (MyNSC) Standards Malaysia (2007 - 2014).

DATO' SIOW KIM LUN

67, MALAYSIAN
MALE

Independent Non-Executive Director

Date Appointed to the Board
17 October 2014

Qualifications
- Master in Business Administration, Catholic University of Leuven, Belgium
- Bachelor of Economics (Hons), Universiti Kebangsaan Malaysia
- Advanced Management Program, Harvard Business School, USA

Membership of Board Committees
- Audit Committee (Chairman)
- Nomination and Remuneration Committee
- Risk Management Committee

Directorship of Other Public Companies and Listed Issuers
- Citibank Berhad
- UMW Holdings Berhad
- EITA Resources Berhad
- Hong Leong Assurance Berhad
- Eco World International Berhad
- Radiant Globaltech Berhad

Working Experience and Occupation

Dato' Siow began his career in investment banking with Malaysian International Merchant Bankers Berhad (now known as Hong Leong Investment Bank Berhad) in 1981. From 1985 to 1993, he was with Permata Chartered Merchant Bank Berhad (now known as Affin Hwang Investment Bank Berhad) first as a manager and later as the Divisional Head of its Corporate Finance Division. Between 1993 and 2006, he was with the Securities Commission Malaysia (SC) and has served in several positions at the SC including that of the Director of its Issues and Investment Division and the Director of its Market Supervision Division.

Dato' Siow is also a director of Kumpulan Wang Persaraan (Diperbadankan) and member of the Land Public Transport Commission.

DR SARINDER KUMARI A/P OAM PARKASH

61, MALAYSIAN
FEMALE

Independent Non-Executive Director

Date Appointed to the Board
1 March 2018

Qualifications
- MA in Economics, George Washington University, USA
- Ph.D. in Financial Economics, Universiti Putra Malaysia

Membership of Board Committees
- Risk Management Committee (Chairperson)
- Audit Committee
- Nomination and Remuneration Committee

Directorship of Other Public Companies and Listed Issuers
- Nil

Working Experience and Occupation

Dr Sarinder has over 30 years of experience in policy and strategic planning, trade negotiations, regulatory and Government affairs. She has previously served in various portfolios with the Ministry of Finance (MOF), Ministry of International Trade and Industry (MITI) and the Performance Management and Delivery Unit under the Prime Minister's Department in Malaysia.

In MOF, she was involved in the raising of Federal Government loans from the international capital and bond markets, debt management and privatization projects. Her portfolio in MITI included the World Trade Organisation (WTO), Strategic Planning and Free Trade Agreements (FTAs) Policy and Negotiations. She was also the lead negotiator for Services for Malaysia's first Bilateral FTA.

In PEMANDU she provided strategic direction on the planning and implementation of the Tourism-related initiatives under Malaysia's National Transformation Programme. She was also responsible for the Strategic Reform Initiative encompassing the Competition Act, Adoption and Development of International Standards and the Liberalisation of Services. She developed the performance assessment and management system for the performance assessment of all Ministers by the Prime Minister.

Dr Sarinder joined PEMANDU Associates in March 2017 and she is currently responsible for business development activities with a focus on public sector transformation and business turnaround.

DATO' CHEW CHEE KIN

72, MALAYSIAN
MALE

Non-Independent Non-Executive Director

Date Appointed to the Board
17 October 2014

Qualifications
- Bachelor of Economics (Hons), University of Malaya
- Program in Management Development, Harvard Business School, USA

Membership of Board Committees
- Nomination and Remuneration Committee

Directorship of Other Public Companies and Listed Issuers
- Sunway Berhad
- Gopeng Berhad

Working Experience and Occupation

Dato' Chew started his career as a Trainee Executive in UMW (Malaya) Sdn Bhd in 1974. Prior to joining Sunway Group, he was the General Manager of UMW (Malaya) Sdn Bhd. He joined the Sunway Group in 1981 as the Group General Manager (Operations) and was subsequently promoted to Deputy Group Managing Director (Operations) of the Sunway Holdings Berhad Group in 1989. In 1995, he was promoted to Group Managing Director of the Sunway Holdings Berhad Group and to President of the Sunway Holdings Berhad Group in 1999. Upon the completion of the merger of Sunway City Berhad and Sunway Holdings Berhad in 2011, he was designated as the President of Sunway Berhad. He has more than 30 years' experience in general management, quarrying, construction, building materials, trading and manufacturing businesses.

PROFILE OF BOARD OF DIRECTORS (CONT'D)

EVAN CHEAH YEAN SHIN

38, MALAYSIAN
MALE

Non-Independent Non-Executive Director

Date Appointed to the Board
18 September 2014

Qualifications
- Bachelor Degree in Commerce, Monash University
- Bachelor Degree in Business System, Monash University
- Chartered Financial Analyst Charterholder
- Certified Practising Accountant
- Member of Malaysian Institute of Accountants

Membership of Board Committees
- Risk Management Committee

Directorship of Other Public Companies and Listed Issuers
- Nil

Working Experience and Occupation

Evan Cheah joined the Sunway Group following his graduation as an Executive Assistant and was attached to the Sunway Group Finance division from 2001 to 2002, with key roles in investment analysis, due diligence, corporate finance, management accounting and group procurement. In 2003, he was promoted and rotated to Sunway Construction where he was the Finance Manager. In 2006, he became the General Manager, Business Development of Sunway Group's Trading & Manufacturing division. In 2010, he was promoted to be the Executive Director of Sunway Mas, a property development company within Sunway Group, in charge of operation matters.

In 2011, Evan Cheah was designated Chief Executive Officer of Sunway Group's China operations, responsible for the China Corporate Office and the development of new business opportunities for the Sunway Group in China. In 2013, he assumed the additional role of Executive Director in the President's Office of Sunway, assisting the Group President in overseeing the Trading & Manufacturing, Building Materials, Quarry & Information Technology businesses.

Effective 1 March 2015, he was redesignated as Executive Vice President - President Office with additional role of assisting the President's Office to identify potential business growth opportunities for Sunway Group and driving the group's synergy.

CHUNG SOO KIONG

51, MALAYSIAN
MALE

Managing Director & Non-Independent Executive Director

Date Appointed to the Board
1 November 2015

Qualifications
- Bachelor of Science (Hons) in Quantity Surveying, University of Abertay Dundee
- Diploma in Building (Technology), Tunku Abdul Rahman College

Directorship of Other Public Companies and Listed Issuers
- Nil

Working Experience and Occupation

Mr Chung began his career with Taisei Corporation in 1990 where over a period of seven years he rose to the position of Section Manager–Quantity Surveying. He was responsible for carrying out pre- and post-contract works for various projects, including the KL International Airport Project, Plaza Pelangi Shopping Complex in Johor Bahru and DBKL-Pernas Sogo Commercial Development/Shopping Complex.

In 1997, he joined Sunway Construction Sdn Bhd and served as the Contract Manager of Business Development & Marketing Department. His roles included overall management of the contracts administration and operations, develops action plans to review pre- and post-contract related matters of various projects, responsible for the overall management of business research and development activities to achieve growth and profitability, develops strategies to identify and venture into new potential businesses and/or markets, and continuously improve the policy and procedure with regard to business research and development. Thereafter, Mr Chung acted as the Country Manager/Project Director of Sunway Innopave Sdn Bhd (Abu Dhabi Branch) for the period from 2007 to 2013.

Mr Chung was the Deputy Managing Director of Sunway Construction Sdn Bhd since 2013 before he was promoted to the position as Managing Director of the Company in November 2015. Mr Chung has over 20 years of experience in the construction sector.

Sunway Construction Annual Report 2017

DIRECTORS

Family Relationship with Director and/or Major Shareholder
Evan Cheah Yean Shin (Evan Cheah) who is a Non-Independent Non-Executive Director and major shareholder of Sunway Construction Group Berhad (SunCon), is the son of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling (Tan Sri Dr Jeffrey Cheah) and brother of Ms Sarena Cheah Yean Tih (Sarena Cheah) and Mr Adrian Cheah Yean Sun (Adrian Cheah). Tan Sri Dr Jeffrey Cheah, Ms Sarena Cheah and Mr Adrian Cheah are the major shareholders of SunCon. Tan Sri Dr Jeffrey Cheah and Ms Sarena Cheah are also the directors of Sunway Berhad, which is a major shareholder of SunCon.

Save as disclosed above, none of the other Directors has any family relationship with any director and/or major shareholder of SunCon.

Conflict of Interest
None of the other Directors has any conflict of interest with SunCon Group.

Conviction for Offences
None of the Directors has any conviction for offences within the past 5 years other than traffic offences, if any.

Attendance of Board Meetings
The attendance of the Directors at Board Meetings held during the financial year ended 31 December 2017 is disclosed in the Corporate Governance Overview Statement.

PROFILE OF GROUP ADVISOR

DATUK KWAN FOH KWAI

66, MALAYSIAN
MALE

Advisor

Qualifications
- Bachelor of Engineering (Hons), University of Malaya

Working Experience and Occupation

Datuk Kwan has over 40 years of extensive experience working in the construction industry, both in the public and private sectors.

Datuk Kwan began his career as a Contract Engineer in 1977 with the Department of Public Works, Ministry of Works for three years and was attached to the East-West Highway project. In 1980, he moved to Promet Construction Sdn Bhd as its Site Manager. Following this, he joined Alam Baru Sdn Bhd, a Class "A" Contractor, as General Manager from 1984 to 1986. He joined Taisei Corporation of Japan from 1986 to 1996 and his last position was General Manager of Taisei (Malaysia) Sdn Bhd.

On 1 October 1996, he joined Sungei Way Construction Berhad as an Executive Director. In June 2001, he was promoted to Managing Director of Sunway Construction Berhad, which was delisted from Bursa Malaysia Securities Berhad and converted to a private limited company in 2004. He was appointed as the Senior Managing Director of Sunway Construction Group Berhad on 6 November 2014. Datuk Kwan was the Senior Managing Director of the Company until his retirement on 31 December 2015. He has resigned as a Non-Independent Non-Executive Director of the Company on 31 December 2017 as he wishes to focus on his role as an advisor for which his tenure has been extended.

Datuk Kwan served as the President of Master Builders Association of Malaysia for the term 2010 - 2012 and as its Immediate Past President for the term of 2012 to 2016. He is currently the Honorary Advisor for the term 2016 to 2018. He is also a Member of The Institution of Engineers, Malaysia (IEM). He is a Fellow Member of the Chartered Institute of Building (FCIOB) and a Board Member and Chairman of Finance Committee of International Federation of Asian & Western Pacific Contractors' Association (IFAWPCA) from 2012 to 2016. Datuk Kwan is also the Chairman of the Board of Governors of SMJK Yuk Choy, Ipoh, Perak and Vice President of Perak Chinese Assembly Hall.

PROFILE OF KEY SENIOR MANAGEMENT

17 PROFILES

OPERATIONS

LIEW KOK WING
49, MALAYSIAN
MALE
DEPUTY MANAGING DIRECTOR

WONG KWAN SONG
53, MALAYSIAN
MALE
EXECUTIVE DIRECTOR
Building Central

KWONG TZYY EN
59, SINGAPOREAN
MALE
EXECUTIVE DIRECTOR
Precast

THOMAS SAMUEL A/L CT SAMUEL
58, MALAYSIAN
MALE
EXECUTIVE DIRECTOR
Geotechnical

TAN IN TUAN
62, MALAYSIAN
MALE
DIRECTOR
Technical, VDC & Planning

IR KHOR WEI MOON
64, MALAYSIAN
MALE
DIRECTOR
Technical & Design

ERIC TAN CHEE HIN
46, MALAYSIAN
MALE
SENIOR GENERAL MANAGER
Mechanical, Electrical & Plumbing

MAU CHE PEAN
58, MALAYSIAN
MALE
GENERAL MANAGER
Land Survey

KONG HEONG FOOK
53, MALAYSIAN
MALE
GENERAL MANAGER
Machinery

SUBBA RAO A/L V SEMENCHALAM
50, MALAYSIAN
MALE
GENERAL MANAGER
Operations

Sunway Construction Annual Report 2017

CENTRE OF EXCELLENCE

NG BEE LIEN
46, MALAYSIAN
FEMALE
CHIEF FINANCIAL OFFICER

YIP LAI HUN
52, MALAYSIAN
FEMALE
DIRECTOR
Supply Chain & Contracts Management

AKIRA YABE
62, JAPANESE
MALE
DIRECTOR (SPECIAL PROJECTS)
Total Quality Management

MAJOR (R) LEONG YEE KEONG
57, MALAYSIAN
MALE
SENIOR GENERAL MANAGER
Environmental, Safety and Health

TAN KIM YOKE
62, MALAYSIAN
MALE
SENIOR GENERAL MANAGER
Business Development

STEVEN SHEE BOO CHEONG
59, MALAYSIAN
MALE
GENERAL MANAGER
Legal

STEVEN LUM WAI TAT
46, MALAYSIAN
MALE
GENERAL MANAGER
Human Resources

PROFILE OF KEY SENIOR MANAGEMENT

PROFILE	FIRST APPOINTED DATE*	EDUCATION / PROFESSIONAL MEMBERSHIP	PAST EMPLOYMENT / WORKING EXPERIENCE			
LIEW KOK WING **49, MALAYSIAN** **MALE** **DEPUTY MANAGING DIRECTOR**	1 January 2007	Bachelor of Engineering (Hons) in Civil Engineering *National University of Singapore* Master of Science Degree in Civil Engineering *National University of Singapore*	**1993 - 1996** L & M Geotechnics Singapore (Project Engineer)	**1996** Taylor Woodrow Projects (M) Berhad (Geotechnical Engineer)	**1996 - 1998** Sunway Construction Sdn Bhd (Senior Geotechnical Engineer)	**1998 - 2000** Nishimatsu Construction Company (Senior Engineer)
WONG KWAN SONG **53, MALAYSIAN** **MALE** **EXECUTIVE DIRECTOR** Building Central	1 January 2007	Bachelor of Engineering (Hons) in Civil Engineering *University of Portsmouth* Certificate of in Technology (Building) *Tunku Abdul Rahman College*	**1987 - 1988** Syarikat Pembinaan Lee Chin Leong Sdn Bhd (Site supervisor)	**1988 - 1989** Syarikat Pembinaan YTL Sdn Bhd (Site supervisor)	**1989 - 1995** Sunway Construction Sdn Bhd (Site Supervisor and later Site Agent)	**1995 - 1999** Setarabina Sdn Bhd (Project Manager)
KWONG TZYY EN **59, SINGAPOREAN** **MALE** **EXECUTIVE DIRECTOR** Precast	1 January 2011	General Certificate of Education (GCE) A Level	**1981 - 1988** Huey Long Construction Co (Managing Director)	**1989 - 1992** Spandeck Engineering Pte Ltd (Production Manager)	**1992 - 2000** L&M Precast Pte Ltd (Senior Production Manager)	**2000 - 2001** Hanson Precast Pte Ltd (Senior Production Manager)
THOMAS SAMUEL A/L CT SAMUEL **58, MALAYSIAN** **MALE** **EXECUTIVE DIRECTOR** Geotechnical	15 January 2015	Bachelor of Engineering (Hons) *University of Malaya* Master's Degree in Business Administration *Heriot Watt University*	**1983 - 1988** Pilecon Engineering Bhd (Project Engineer)	**1988 - 2015** Bauer Malaysia Sdn Bhd		
TAN IN TUAN **62, MALAYSIAN** **MALE** **DIRECTOR** Technical, VDC & Planning	1 January 2003	Bachelor of Science (Hons) Degree in Civil Engineering *University of Glasgow, Scotland*	**1982 - 1988** EEMAL Construction (Project Engineer)	**1988 - 1997** Taisei Corporation (Senior Engineer, Chief Engineer, Site Manager and Project Manager)		
IR KHOR WEI MOON **64, MALAYSIAN** **MALE** **DIRECTOR** Technical & Design	1 January 2008	Bachelor of Civil Engineering *University of Melbourne, Australia* Registered Professional Engineer *Board of Engineers Malaysia* Member of *Institution of Engineers Malaysia and Institution of Engineers Australia*	**1977 - 1988** Esa Jurutera Perunding (Engineer)	**1988 - 1997** SA Jurutera Perunding		

** First appointed date to the Key Senior Management position.*

PROFILE	FIRST APPOINTED DATE*	EDUCATION / PROFESSIONAL MEMBERSHIP	PAST EMPLOYMENT / WORKING EXPERIENCE			
ERIC TAN CHEE HIN **46, MALAYSIAN** **MALE** **SENIOR GENERAL MANAGER** Mechanical, Electrical and Plumbing	1 November 2009	Bachelor of Engineering Degree in Mechanical Engineering *Universiti Sains Malaysia* Master of Business Administration *The Nottingham Trent University* Registered Professional Engineer *Board of Engineers Malaysia* Registered GBI (Green Building Index) Facilitator GBI Commissioning Specialist (CxS)	**1996 - 2000** SSP (E&M) Sdn Bhd (Mechanical Engineer)			
MAU CHE PEAN **58, MALAYSIAN** **MALE** **GENERAL MANAGER** Land Survey	1 January 2014	Bachelor in Construction Management *Open University Malaysia* Diploma in Land Survey	**1981 - 1987** Jurukur Berjasa (Engineer Survey) **1987 - 1992** Jheoa Koperasi Kijang Mas (Cadastral Survey) **1992 - 1996** Jurukur Nik Hisham (Engineer Survey)	**1996 - 1999** Sunway Pmi-Pile Construction Sdn Bhd (Piling Survey)		
KONG HEONG FOOK **53, MALAYSIAN** **MALE** **GENERAL MANAGER** Machinery	4 July 2005	Advance Diploma in Automotive Technology *Department of Skills Development Malaysia* Diploma in Supervisory Management *Malaysia Institute of Management (MIM)* Certificate in Automotive and Diesel Technician *Ungku Omar Polytechnics* Master of Arts in International Business *York St John University, United Kingdom*	**1986 - 1989** Automotive Corporation Malaysia (Automotive Technician)	**1989 - 1991** Auto Bavaria Sdn Bhd (Technical Instructor)	**1991 - 2000** Pilecon Engineering Bhd (Technical Instructor and later promoted to Plant Manager)	**2000 - 2005** Megah Sewa Sdn Bhd (Plant Manager)
SUBBA RAO A/L V SEMENCHALAM **50, MALAYSIAN** **MALE** **GENERAL MANAGER** Operations	1 January 2016	*Current Education* Executive Bachelor in Construction Management *Open University Malaysia*	**1986 - 1989** LFY Construction Sdn Bhd (Site Supervisor)	**1989 - 1990** Sunway Construction Sdn Bhd (Site Supervisor)	**1990 - 1991** Pembinaan Nescaya Sdn Bhd	

** First appointed date to the Key Senior Management position.*

PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

PROFILE	FIRST APPOINTED DATE*	EDUCATION / PROFESSIONAL MEMBERSHIP	PAST EMPLOYMENT / WORKING EXPERIENCE
NG BEE LIEN **46, MALAYSIAN** **FEMALE** **CHIEF FINANCIAL OFFICER**	1 January 2010	Bachelor of Commerce, Majoring in Finance *University of Western Australia* Chartered Accountant *Malaysian Institute of Accountants*	**1994 - 1997** Ernst and Young (Audit Senior Executive) **1997 - 2005** Muhibbah Engineering Berhad (Accountant)
YIP LAI HUN **52, MALAYSIAN** **FEMALE** **DIRECTOR** Supply Chain & Contracts Management	1 January 2008	Diploma in Technology (Building) *Tunku Abdul Rahman College* Certificate in Technology (Architecture) *Tunku Abdul Rahman College*	**1990 - 1991** MBF Builders Sdn Bhd (Assistant Quality Surveyor) **1991 - 1992** Rinota Construction Sdn Bhd (Quantity Surveyor) **1992 - 1993** J.V NLC Construction (Nishimatshu- Lum Chang) (Quantity Surveyor)
AKIRA YABE **62, JAPANESE** **MALE** **DIRECTOR** Special Projects	1 June 2010	Bachelor of Science & Engineering *Waseda University* Professional Engineer, Japan (P.E Jp-Civil Engineering and Comprehensive Technical Management) Registered Architect (1st Class) and Japan Concrete Institute (JCI) Authorised Chief Concrete Engineer	**1979 - 2008** Taisei Corporation (Construction Engineer, Senior Construction Engineer, Deputy Project Manager and Project Manager) **2008 - 2010** Yamashita Sekkei (Manager-Technical Direction Office)
MAJOR (R) LEONG YEE KEONG **57, MALAYSIAN** **MALE** **SENIOR GENERAL MANAGER** Environmental, Safety and Health	1 January 2011	Safety and Health Officer *Registered with DOSH* NIOSH Certification NEBOSH International General Certification (IGC) Diploma in OSH Management ***Current Education*** Master in Occupational Safety and Health and Risk Management *Open University Malaysia*	**1979 - 1993** Malaysian Armed Forces **1994 - 2007** Universal Concrete Products Berhad (UCP) (HR Manager) Geotechical Division (Project Manager cum Safety Manager)
STEVEN SHEE BOO CHEONG **59, MALAYSIAN** **MALE** **GENERAL MANAGER** Legal	1 January 2011	Bachelor of Laws (LLB) *University of London* Certificate of Legal Practice	**1980 - 1981** Ghalee Khidmat Sdn Bhd (Draughtman) **1981 - 1994** Jurutera Perunding Bersama Sdn Bhd (Draughtman)
TAN KIM YOKE **62, MALAYSIAN** **MALE** **SENIOR GENERAL MANAGER** Business Development	1 October 2015	Advanced Diploma in Building Technology *Federal of Institute of Technology* Committee Member of International Affairs, MBAM Associate Member of Malaysia Institute of Management (MIM)	**1982 - 1991** Sungei Way Quarry & Construction Sdn Bhd (Site Supervisor and later promoted to Site Agent) **1991 - 1992** Pembinaan JBBS Sdn Bhd (Project Director) **1992- 2007** SunCon (Senior General Manager) **2008 - 2013** Soma Enterprise Ltd (Project Director) **2013 - 2015** Pelangi Wira (M) Sdn Bhd (Project Director)

** First appointed date to the Key Senior Management position.*

PROFILE	FIRST APPOINTED DATE*	EDUCATION / PROFESSIONAL MEMBERSHIP	PAST EMPLOYMENT / WORKING EXPERIENCE
STEVEN LUM WAI TAT **46, MALAYSIAN** **MALE** **GENERAL MANAGER** Human Resources	11 January 2016	ACIS (No: 7039375) The Malaysian Association of Chartered Secretaries and Administrators (MAICSA) Graduated, The Institute of Chartered Secretaries and Administrators (ICSA) *United Kingdom* Certificate in Accounting and Business Computing *Tunku Abdul Rahman College (TARC)*	**1995 - 2002** PricewaterhouseCoopers / PwC Consulting (Consultant) **2002 - 2009** IBM Global Business Services (Managing Consultant) **2009 - 2012** Tan Chong Group (Senior Manager, Talent Management & Organisational Effectiveness, Group HR) **2012 - 2013** Taylor's Education Group (Senior Manager, Talent & Development, Group HR) **2014 - 2016** Tan Chong Group (Deputy General Manager, HR Centre of Excellence, Group HR)

** First appointed date to the Key Senior Management position.*

KEY SENIOR MANAGEMENT

Family Relationship with Director and/or Major Shareholder
None of the Key Senior Management has any family relationship with any director and/or major shareholder of Sunway Construction Group Berhad (SunCon).

Conflict of Interest
None of the Key Senior Management has any conflict of interest with SunCon Group.

Conviction for Offences
None of the Key Senior Management has any conviction for offences within the past 5 years other than traffic offences, if any.

Directorship In Public Companies and Listed Issuers
None of the Key Senior Management has any directorship in public companies and listed issuers.

The International School of Kuala Lumpur

BOARD OF DIRECTORS

Dato' Ir Goh Chye Koon
Dato' Dr Ir Johari Basri
Dato' Siow Kim Lun
Dr Sarinder Kumari
Dato' Chew Chee Kin
Evan Cheah Yean Shin
Chung Soo Kiong

GROUP ADVISOR

Datuk Kwan Foh Kwai

MANAGING DIRECTOR

Chung Soo Kiong

DEPUTY MANAGING DIRECTOR

Liew Kok Wing

Supply Chain & Contracts Management
Director
Yip Lai Hun

Legal
General Manager
Steven Shee Boo Cheong

Business Development
Senior General Manager
Tan Kim Yoke

Total Quality Management
Director (Special Projects)
Akira Yabe

Environmental, Safety & Health
Senior General Manager
Major (R) Leong Yee Keong

Technical, VDC & Planning
Director
Tan In Tuan

Technical & Design
Director
Ir Khor Wei Moon

Mechanical, Electrical & Plumbing
Senior General Manager
Eric Tan Chee Hin

Machinery
General Manager
Kong Heong Fook

Land Survey
General Manager
Mau Che Pean

Operations
General Manager
Subba Rao A/L V Semenchalam

Operations
Executive Director
Wong Kwan Song

Southern
Director/ Acting-Project Director
Akira Yabe

Geotechnics
Executive Director
Thomas Samuel A/L CT Samuel

Precast
Executive Director
Kwong Tzyy En

Finance & Corporate Services
Chief Financial Officer
Ng Bee Lien

Human Resources
General Manager
Steven Lum Wai Tat

Commercial

- Strategic Business Planning
- Business Development
- Pre and Post Contract Management
- Legal
- Corporate Branding and Communications

Centers for Operational Excellence

- Total Quality Management
- Project Safety Standards

Operations

- Delivery of project/operational excellence to business stakeholders
- Delivery of operational enablement services and tools
- Design and Technical Excellence
- Strategic Operations Planning

Corporate Sustainability & Organisation Development

- Policy setting
- Corporate
- Services
- Business Risk Management
- Organisation Development

Parcel F Project, Putrajaya

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

RAPIDLY EVOLVING FOR OPTIMUM PERFORMANCE

Wherever our business takes us, we are determined to remain ahead of the competition at all times, allowing us to overcome each and every possible obstacle along the way.

CONSTRUCTION INDUSTRY REVIEW AND OUTLOOK

GLOBAL

The global economy has seen a recovery in 2017 after the slowdown in 2015 and 2016. Global growth moderated at 3.6% as compared to 3.2% in the year before. The spillover effect from Global Financial Crisis in 2008 and 2009, BREXIT and the political turmoil globally has subsided. Growth in the United States will be bolstered by the prospect of fiscal stimulus via numerous tax cuts and reforms. Over in the United Kingdom, even with uncertainty caused by BREXIT, the economy is still growing albeit at a slower pace. Despite other uncertainties, such as geopolitical risks from the Qatar crisis and North Korea missile launch, generally, global sentiment is still positive as compared to the year before. The ASEAN-6's (including Singapore) has seen an improvement in GDP from 4.6% in 2016 to 5.1% in 2017. The ASEAN economy should continue to benefit from the infrastructure investment momentum which includes the implementation of projects under China's Belt and Road Initiatives (BRI).

MALAYSIA

The Malaysia economy has accelerated at a faster pace with a GDP of 5.9% (2016: 4.2%) during the year. Outlook for the construction sector remains positive, buoyed by the government's pump-priming initiatives in mega infrastructure projects. The construction sector recorded a GDP growth of 6.7% (7.4% in 2016).

In 2017, the government awarded the Klang Valley Light Rail Transit 3 (LRT 3) project amounting to RM9 billion. There are also numerous pre-qualification, technical and financial tenders called for by the Government of Malaysia for the other respective mega infrastructure projects such as **East Coast Rail Link (ECRL), Kuala Lumpur-Singapore High Speed Rail (HSR)** and **Mass Rapid Transit Line 3 (Circle Line)**. The spillover of job awards in 2018 augurs well for growth in the construction sector. This is also backed by positive outlook from the 14th General Election (GE14) that is likely to be held on or before August 2018.

The Construction Industry Development Board of Malaysia (CIDB) has also embarked on the **Construction Industry Transformation Programme (CITP)** since 2016 and is based on four thrusts namely the Quality, Safety and Professionalism; Environmental Sustainability; Productivity; and Internationalisation. All the initiatives taken will transform the construction industry to greater heights.

Within the construction sector, apart from the hype gathering around the mega infrastructure jobs announced, the industry was exposed to various issues such as legalisation of foreign workers, the imposition of foreign workers' levies on employers, and the fluctuation of steel bar prices. The mandatory imposition of foreign workers' levy payment on employers was deferred from the initial announcement in 2017 to 2018. There was a widespread relief for the industry players during the year but this would no longer be avoidable in 2018.

PROJECT	Malaysia Construction GDP Growth	Malaysia GDP Growth	Singapore Construction GDP Growth	Singapore GDP Growth
2018 (F)	7.3%	5.5% to 6.0%	-	1.5% to 3.5%
2017	6.7%	5.9%	-8.4%	6.2%
4Q 2017	5.8%	5.9%	-5.0%	3.1%
3Q 2017	6.1%	6.2%	-9.3%	4.6%
2Q 2017	8.3%	5.8%	-12.2%	2.9%
1Q 2017	6.5%	5.6%	-6.9%	2.5%
2016	7.4%	4.2%	0.2%	2.0%

Notes:
Source from Department of Statistics, Malaysia, Monetary Authority of Singapore, Ministry of Trade and Industry Singapore and Central Bank of Malaysia.

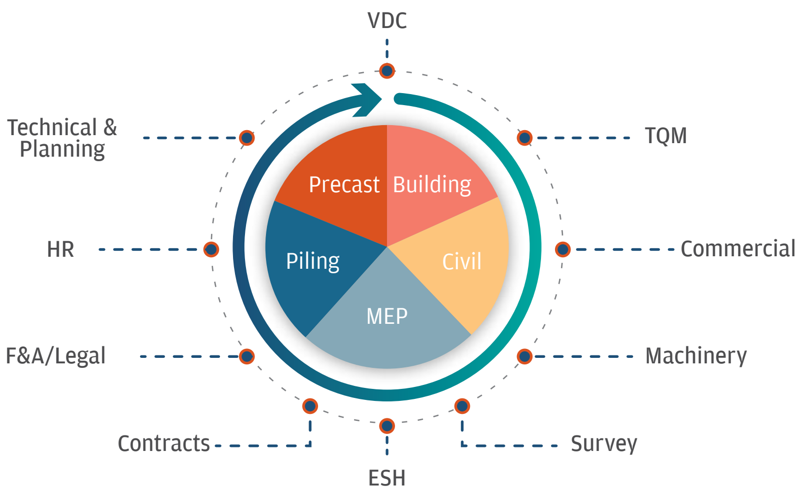
SINGAPORE

In Singapore, the Building Construction Authority (BCA) is constantly looking for ways to improve the construction methodologies. They always encourage the construction companies to invest in forward-looking technology to improve the construction productivity. SunCon's exposure in the Singapore's market is within the precast manufacturing segment. The Singapore's Housing Development Board has expanded the use of Prefabricated Bathroom Unit (PBU) in all its projects launched by 2019. Moreover, the Singapore government is also mandating the use of **prefabricated, pre- finished volumetric construction or better known as PPVC** for the public projects. This involves fabricating the entire module off site including the wall, floor and ceiling finishes before being assembled and installed on the site itself.

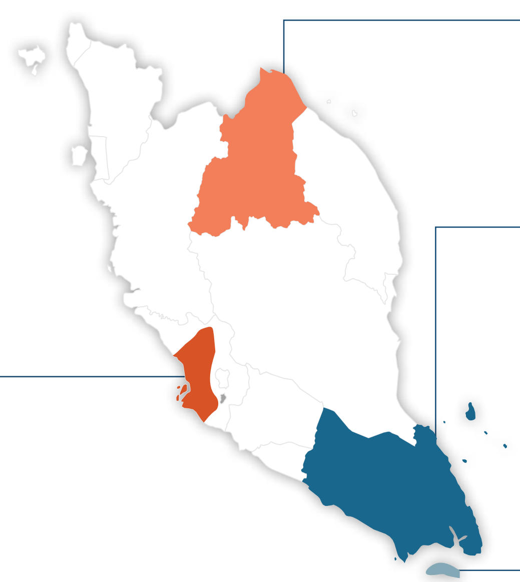
The BCA has also launched the **Integrated Construction Prefabrication Hub (ICPH)** which is a highly automated precast factory that uses state-of-the-art technology. The ICPH can improve the precast manufacturing industry in many ways, from productivity, quality to further reduction of workers. There are still a lot of opportunities within the precast industry in Singapore.

REVIEW OF GROUP'S BUSINESS AND OPERATIONS

SunCon is a total integrated construction group offering a comprehensive range of services. We pride ourselves in being the largest pure play construction firm in the market with activities solely-related to construction. We have been in operations for 36 years and our brand name is synonymous with quality and a good track-record. We now operate predominantly in Malaysia and Singapore, although we have ventured as far as Trinidad and Tobago in the Caribbean. We have completed seven highway projects in India from 2001 to 2010, and completed two residential and mixed commercial condominiums in Abu Dhabi from 2006 to 2010. We have completed a wide range of projects from residential, commercial, purpose-built or specialty buildings, medical centres, theme parks, highways, rail infrastructure projects and Central Utilities Facilities (CUF). Our Group Structure is divided into two segments which are the Construction and Precast respectively. Under the construction segment, there are four core businesses being Building Construction Services, Civil/Infrastructure Construction Services, Foundation and Geotechnical Engineering Services and Mechanical, Electrical and Plumbing Services. These four core businesses are being presented as an integrated whole as SunCon's procurement strategy is to tender for mega projects. These projects enable us to leverage all our skills and expertise from our various business units towards timely and cost-effective project delivery. Hence, financial performance and business risks are presented in the Construction segment as a whole instead of individual businesses. In addition, we have other centres of excellence supporting our operations as depicted below:



LOCATION OF CURRENT KEY PROJECTS



Klang Valley
- Parcel F, Putrajaya
- KLCC Basement Carparks
- International School of Kuala Lumpur (ISKL)
- Sunway Velocity
  - Office
  - Medical Centre (SVMC)
- Sunway Medical Centre 4 (SMC 4)
- Sunway Geo Retail Shops and Flexi Suites Phase 2
- Sunway Serene Service Residence
- Warehouse in Shah Alam
- Gas District Cooling
- Mass Rapid Transit Line 2
  - Package V201
- Light Rail Transit Line 3
  - Package GS07-08
- Sungai Besi-Ulu Kelang Elevated Expressway (SUKE), Damansara-Shah Alam Elevated Expressway (DASH) (Piling Works)
- Bukit Bintang City Centre (Piling Works)
- Hospital University Kebangsaan Malaysia (MEP Works)

Kelantan
- Project Perumahan Awam 1Malaysia (PPA1M)

Southern Region
- Sunway Iskandar
  - Emerald Residence (ER)
  - Emerald Boulevard 88 (M3)
  - Big Box Village

Singapore
- Precast

1 BUILDING CONSTRUCTION SERVICES

Provides design and construction service for residential, commercial, institutional and purpose-built or specialty buildings. We mainly specialise in special purpose buildings and our track-record includes national landmarks such as the Kuala Lumpur Convention Centre; Traders Hotel, Kuala Lumpur; Pinewood Iskandar Malaysia Studio, Johor; Legoland Malaysia Theme Park; and Sunway Pyramid Shopping Mall, Bandar Sunway.

The building construction services has successfully completed 5 projects during the year which are the Sunway Velocity Hotel; Link Bridges in Sunway Velocity, Cheras; Sunway Medical Centre Tower C; and Sunway Geo Commercial blocks in Sunway City; and Sunway Citrine mixed development project in Sunway Iskandar, Johor.

During the year, the division has secured a contract of RM449 million for the development of Sunway Serene in Kelana Jaya, the PPA1M (Perumahan Penjawat Awam 1 Malaysia) in Kota Bahru, Kelantan of RM582 million and a contract of RM139.8 million from Nippon Express (M) Sdn Bhd to build a new warehouse in Shah Alam via a 50:50 joint venture (JV) with Taisei Corporation Japan.

One of our biggest achievements in 2017 within the building construction services is where we have successfully completed the large concrete pour for the KLCC basement car parks of approximately 22,000 m^3 of concrete which was completed through 3 separate pours.

KEY RESOURCES
Number of employees

749 males | 114 females

Big Pour Rough Casting at Lot 167, KLCC Package 2

REVIEW OF GROUP'S BUSINESS AND OPERATIONS
(CONT'D)

2 CIVIL/INFRASTRUCTURE CONSTRUCTION SERVICES

Specialises in civil and rail infrastructure works. We have completed various roads, highways, airports and runways, bridges and rail transportation infrastructure projects over the years. Some of the notable projects that we have completed are Ipoh Airport, Kajang SILK Highway and South Klang Valley Expressway (SKVE). We have also completed 7 highways in India. In recent years, we have completed 4 rail infrastructure projects and we are the only contractor nationwide with experience in MRT, LRT and BRT developments within the Klang Valley.

During the year, we have completed the Coastal Highway Southern Link (CHSL) that links Medini, Johor to Singapore via the Second Link Expressway. Currently, we are also the rail infrastructure contractors for rail works within Klang Valley namely the Mass Rapid Transit Line 2 - Package V201 (MRT V201) from Sungai Buloh to Persiaran Dagang and the Light Rail Transit Line 3 (LRT3) Package GS07-08 from Kawasan 17 to Taman Sri Andalas. We are also working on the station works for these projects.

One of the notable job wins during the year was the Light Rail Transit 3 (LRT 3) Package GS08-09 project secured at the sum of RM2.1 billion which is the single largest project secured to-date. These two mega alignments will keep us busy for the next 3 to 4 years.

KEY RESOURCES
Number of employees

322 males | 49 females

Launching Works at Sri Damansara (MRTV201 Project)

Sunway Construction Annual Report 2017

3 FOUNDATION AND GEOTECHNICAL ENGINEERING SERVICES

Provides design & build of earth retaining systems and piling solutions. Our primary expertise is in bored piling and we have drilled bored piles to the depths of some 113 metres by 3.0 metres in diameter.

Our piling services cover all types of buildings such as residential, commercial, institutional, purpose-built or specialty buildings, and civil/ infrastructure construction projects.

During the year, we have completed several foundation and earthworks treatment projects namely the Mengkuang Dam in Penang, Sunway Mont Residences and Sunway Monash Residence.

We have also participated in various foundation and geotechnical works in some prominent projects namely the Sungai Besi-Ulu Kelang Elevated Expressway (SUKE), Damansara-Shah Alam Elevated Expressway (DASH), Bukit Bintang City Centre project and a hotel project in Jalan Imbi.

KEY RESOURCES
Number of employees

203 males | 35 females

Piling Works at Sunway Serene, Kelana Jaya

REVIEW OF GROUP'S BUSINESS AND OPERATIONS (CONT'D)

4 MECHANICAL, ELECTRICAL AND PLUMBING SERVICES

Provides mechanical, electrical and plumbing services, and specialised engineering solutions. Our notable projects include the second largest Gas District Cooling plant in the world built for Putrajaya and the Bio-XCell Biotechnology Park in Nusajaya, Johor.

Apart from contributing to all the projects that have been completed under the Building Construction and Civil Infrastructure business, the Mechanical, Electrical and Plumbing (MEP) business unit have also completed the supply and installation of mechanical, engineering, and plumbing systems and tunnel ventilation system for the 3-storey underground Mass Rapid Transit station at the Pasar Seni interchange to Kelana Jaya Line. We are also working on the electrical services, air conditioning and mechanical ventilation system for the Hospital University Kebangsaan Malaysia (HUKM).

During the year, we also secured our third Gas District Cooling project in Putrajaya which further demonstrates our expertise in this sector.

KEY RESOURCES
Number of employees

149 males | 23 females

Gas District Cooling (GDC) Plant 1 in Putrajaya

Sunway Construction Annual Report 2017

5 MANUFACTURING AND SALE OF PRECAST CONCRETE PRODUCTS

Develops, designs, manufactures and supplies precast concrete products with manufacturing plants located in Iskandar and Senai in Johor, Malaysia. We are amongst the first to be awarded the license to produce precast Prefabricated Bathroom Units (PBU) and our jobs are predominantly for Housing Development Board (HDB) projects in Singapore.

Our precast business has been in operations since 1994. We have a total of two precast plants which has annual capacity of 156,000 m³. We specialise in manufacturing of residential and commercial components which includes walls, slabs, panels, and prefabricated bathroom units. We are also currently embarking on the Prefabricated Prefinished Volumetric Construction (PPVC) to increase our product range.

We have secured a total of RM158 million new orders during the year and we are working towards further mechanising our precast plants to increase productivity. Our revenue for the current year has declined as compared to prior years due to slower progress by main contractors who are unable to take delivery of our precast components as reported in our respective quarterly announcement. We have also submitted our bid for the Integrated Construction Prefabrication Hub (ICPH) in Singapore early 2018.

KEY RESOURCES
Number of employees

45 males | 16 females

Sunway Emerald Boulevard 88, Iskandar Johor Constructed with Precast

REVIEW OF GROUP'S BUSINESS AND OPERATIONS
(CONT'D)

CENTRE OF EXCELLENCE

SunCon's VDC is a versatile system as it synergises Building Information Modelling and Integrated Project Delivery that allows the enhancement of the value chain throughout the entire project lifecycle. Building Information Modelling (BIM) improves the integration of design (3D), scheduling (4D), estimation (5D) and fabrication (6D).

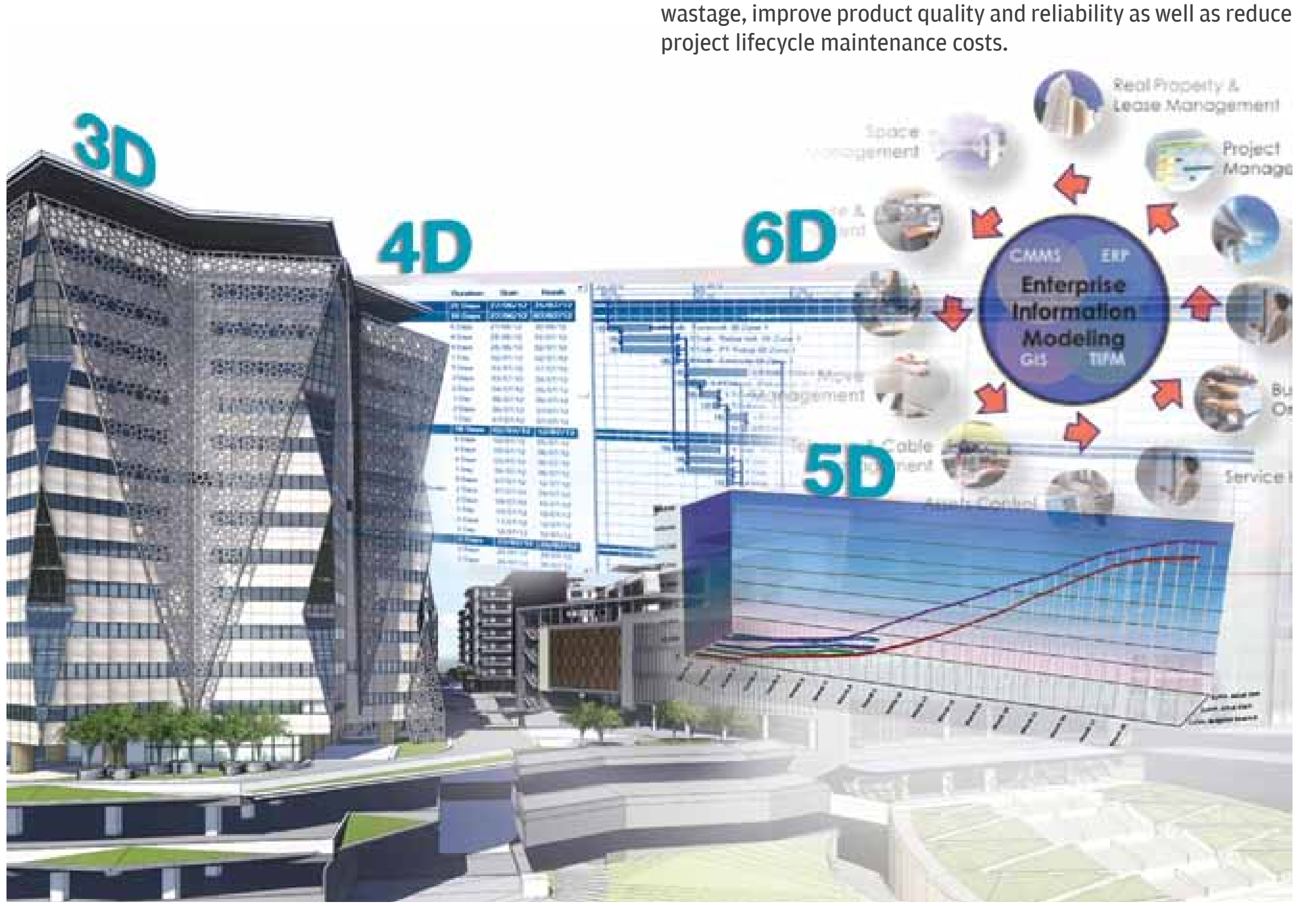
BIM models enable effective trade coordination between architecture, structure and MEP trades. They also eliminate clashes during the early design stage. The 4D model helps simulate project planning and scheduling, and calculates progress in physical development through a timeline. The 5D model enables accurate cost budgeting and control.

The addition of essential building information contained in the BIM models such as spatial information, technical documentation, vendor data and operating guidelines further propel BIM into 6D facility management, closing the gap between construction and building operations.

SunCon began its BIM journey back in year 2010. In 2012, SunCon formally adopted and implemented BIM technology extensively. To-date, SunCon has invested substantially in human resource training, research development in BIM which is now widely implemented in internal and external construction projects.

To further maximise benefits from BIM integration, SunCon collaborates closely with consultants and subcontractors in enriching BIM capabilities through the adoption of standardised SunCon BIM guidelines and provision of on the job training, ensuring a complete BIM implementation throughout the supply chain.

Through some of the realised benefits to date, we are striving to achieve the vast potential implicit in BIM implementation in various areas, including green buildings and facilities management. BIM implementation has enhanced our competitive edge in providing innovative designs and construction solutions that meet challenging demands with increased complexity within a shorter timeframe. We are confident that full BIM capabilities will enable faster delivery, cost effective procurement, reduce wastage, improve product quality and reliability as well as reduce project lifecycle maintenance costs.



Virtual Design and Construction (VDC)

In addition, we also own a number of plants and a wide range of machineries. Our current fleet of plant and machineries include :

31 boring rigs | **20** tower cranes | **28** excavators | **5** launching girders | **64,000** square meters formwork

Our machinery division is centralised to manage and source for machineries required on site to achieve cost effectiveness.

Our machinery division is accredited to conduct training for our operators. Our machineries are being maintained for more effective performance and to minimise adverse environmental impact. We have also planned plant renewal programmes and we are targeting for the majority of machines to be lesser than 10 years of use.

All the other centres of excellence are moving in line with the Company's directions and supports all functions as required by the Operation's team.

** Details of our machinery department initiatives can be found in the **Sustainability** section.*

Machinery Workshop

KEY RESOURCES
Number of employees
292 males
100 females

Did you know?
In length, our complete and on-going civil works amount to
Highway Projects 454km
Railway Projects 29km

5-YEAR FINANCIAL HIGHLIGHTS

* *Proforma Financial Results for Financial Year Ending 2013 as per Accountant's Report dated 17 November 2014 for inclusion in the Prospectus of Sunway Construction Group Berhad.*
** *Figure does not take into account discontinued operations in 2013 and 2014.*

BUSINESS OBJECTIVES AND STRATEGIES

BUSINESS OBJECTIVE	FY 2017 REVIEW	FY 2018 PRIORITIES
THE TOP 3 CONSTRUCTION AND ENGINEERING COMPANY IN MALAYSIA		
SunCon envisages that we will maintain our status as one of the top 3 construction players in Malaysia and to be the largest listed pure play construction group.	Market Capitalisation **RM3.245 billion** New Order Book **RM3.957 billion** ROCE **48%** ** Details of our financial and operational indicators can be found in the **Review of Financial Results** section.*	A year of delivery for SunCon given the all-time high orderbook that we secured in FY2017. Nevertheless, our three internal targets remain unchanged: • **Top 3** Construction and Engineering Company in Malaysia. • Yearly orderbook replenishment **RM2 billion** • ROCE **above 20%**.
SUSTAINABILITY THROUGH ENVIRONMENTAL, SAFETY AND HEALTH		
SunCon is determined to instill safety as a way of life in all members of the workforce and places great importance on Environmental, Safety and Health issues at all times.	**18,790,437** Worked Man-Hours **Zero** Number of Work-Related Fatalities **0.21** Accident Frequency Rate ** Details of our environmental indicators can be found in the **Environmental – Sustainability** section.*	• To maintain **ZERO life loss** at all project sites. • To ensure all project worksites strictly comply with applicable **legal requirements** in relations to environmental, safety and health.
SUSTAINABLE THROUGH EMPLOYEES AS OUR KEY ASSETS		
We continuously develop competencies, capabilities and talent of our people which is the most important asset to us.	**Employee Engagement Survey** — 2015 / 2017 Response Rate: 69% / 93% Engagement Score: 59% / 69% **Staff Productivity** 2017: 12 times 2016: 10 times ** Details of our human capital initiatives can be found in the **Social: Labour and Decent Works – Sustainability** section.*	Maintaining productivity of our employees to a target of **13 times revenue** per employee and an engagement score of **65% or above**.
SUSTAINABLE THROUGH QUALITY AND INNOVATION		
We are committed in delivering high quality products across all trades and constantly innovate to find more efficient construction methodology.	**Precast in Singapore** CONQUAS Score **100%** **Construction in Malaysia** Average QLASSIC Score **77.2%** ** Details of our safety initiatives can be found in the **Social: Product Responsibility – Sustainability** section.*	• Maintaining the quality standards in achieving CONQUAS and QLASSIC scores above industry average of **75%** under the construction sector. • CONQUAS score by Information of Construction Quality (IQUAS) - **100%** • Mechanisation of precast plant in Senai and Iskandar to **increase production capacity**.
GLOBAL EXPANSION		
While SunCon has converged most of our resources in Malaysia due to the current infrastructure boom, we are also cognisant of the need to expand geographically in order to sustain and grow our operations.	• We have started exploratory work internationally over the year. In specific, we have identified several potential business associates in Myanmar and Indonesia. • We are also expanding our precast business in Singapore after the closure of our Tampines plant in April 2017. We have participated in the tender for Integrated Construction Prefabrication Hub (ICPH). ICPH will be a fully mechanised plant which will increase our current capacity by two folds. With the increased enforcement on the use of precast components in HDB development, this investment will put us at the forefront.	• We aim to secure at least one project internationally in 2018 particularly in **Myanmar** or **Indonesia**. • We will also look for new opportunities back in **India** in which we had successful presence in completing projects. • We will continue to be on a lookout for **international opportunities** within the ASEAN context.

BUSINESS RISK

The Group believes that identifying and managing risks is central to our business operations while enhancing long term strategic value. In achieving this, the Board has established a Statement on Risk Management and Internal Control to identify potential risks and to design mitigation plans. Key risks for the Group and current mitigation action plans are disclosed below.

** Detailed procedures and processes of the risk management can be found under **Governance of Integrity** under the **Statement on Risk Management Framework and Internal Control Systems**.*

1. PROJECT COMPLETION

As the Group strives to maintain its position as Malaysia's largest listed pure play construction group by revenue, this risk is perennial and holds a significant weight in risk analysis.

Mitigation:
Group has successfully negated such risks for the financial period with effective and efficient procurement of necessary resources to mitigate any potential delays and claims including active negotiation with client to accelerate works due to unforeseen delays, deploying more resources and improving supervision for the purpose of increasing productivity.

2. COST OVERRUN

This risk concerns the Group as the fluctuations for raw material prices especially steel bar prices and preliminary cost due to prolongation of project. It could result in overrun of project operation costs from the tender costs.

Mitigation:
In response to this, some contracts have pass through clauses in relation to steel price fluctuation. Where there are no pass through clauses, the Group negotiates with suppliers to hedge our steel bar purchases for 6 months interval. To control our preliminary cost like overhead and plant and machinery, we monitor the progress of our project actively to ensure timely delivery.

3. CYBER & IT RISK

This risk, if left unattended, could result in the unauthorised disclosure of sensitive business information, resulting in financial or reputational loss. It could also result in the disruption of critical business processes.

Mitigation:
To mitigate this risk, various policies, resources, processes, and systems have been developed and deployed. The Group-wide Information Security policy, called the SISP (Sunway Information Security Policies), was developed in accordance with ISO/IEC 27002 (2005) standards. In addition, continuous initiatives are in place to enhance the cyber defense capabilities and IT resiliency of the Group.

4. HUMAN CAPITAL

Risks arising from issues such as high staff turnover, loss of key and technical staff, competition from other industry players, succession planning and staff retention.

Mitigation:
Human Resources Department, together with respective divisions and operating subsidiaries continuously improve and enhance mitigation plans which include employee engagement surveys, team building exercises, training and development - internal and external and constant reviews of the Group's remuneration and compensation benefits for staff.

5. WORKPLACE SAFETY AND HEALTH

Risks arising from the intrinsic nature of construction activities, which often involves complex activities being carried out by teams of workers, we remain exposed to occurrence of accidents and incidents caused by human error or other factors. In addition, all construction activities generate dust, waste and noise pollution.

Mitigation:
Appropriate and effective policies and procedures are implemented and thoroughly monitored jointly by Environmental, Safety and Health Department and Risk Working Committee (RWC) to mitigate these risks. There is also strict compliance to various environmental laws and regulations.

6. DEPENDENCE ON THE PROPERTY MARKET AND GOVERNMENT INFRASTRUCTURE SPENDING

Risks relating to decline in demand in the property sector and government infrastructure spending under the construction sector. In Singapore, the manufacturing and sale of precast concrete products business segment is also dependent on the number and timing of launches by the Housing Development Board (HDB).

Mitigation:
In response to this, the Group continuously improve our productivity and technical capabilities to enable us to take on more complex construction projects especially in the areas of mechanical, electrical and plumbing services, foundation and earthwork and industrialised building system (IBS). The Group has also started exploratory works within the ASEAN region.

FUTURE PROSPECTS

The major rail infrastructure development would still continue to be in the limelight for the year in line with the government's pump priming initiatives.

Year 2018 will be a year of executing and delivery for SunCon. With a record high outstanding order book of RM6.1 billion as of December 2017, we are committed in delivering all our projects within the contracted time without compromising the safety and quality elements.

In the nearer term

We are expected to deliver The International School of Kuala Lumpur (ISKL), Gas District Cooling (GDC) project in Putrajaya, Parcel F Project in Putrajaya and several other Sunway developments within Klang Valley and Iskandar region.

On the medium term

We will focus on executing our existing infrastructure projects in hand, namely the MRT Line 2 (Package V201) from Persiaran Dagang to Sungai Buloh and LRT 3 (Package GS07-08) from Bandar Utama to Johan Setia. These two mega alignments will keep us busy for the next three to four years. Both the projects have progressed very well to-date.

SunCon will continue to capitalise on opportunities presented by national development projects, while exercising prudence in its selection to target large scale, complex projects that generate higher profit margin, augmenting both technical portfolio and financial accomplishment.

Government pump priming initiatives bode well for the sector's growth trajectory and the division is confident of another strong order book replenishment in 2018.

SunCon inspires to elevate our status from being a main contractor to be a Project Delivery Partner (PDP) in anticipation to push our earnings as well as technical capabilities to a greater scale. We began our quest to be a Project Delivery Partner since 2015.

While we have not been successful then, we have tried again by bidding for the Kuala Lumpur - Singapore High Speed Rail (HSR) project under the quadripartite consortium with IJM Construction Sdn Bhd, Jalinan Rejang Sdn Bhd and Maltimur Resources Sdn Bhd.

Under the precast division, we have set up a joint venture with HL Building Materials Pte Ltd to participate in the Singapore's Integrated Construction Prefabrication Hub (ICPH) tender which includes a land lease and the setup of a fully mechanised precast plant. Upon success, the fully mechanised plant will elevate the Group's status to be on par with best industry practice and at the same time doubling our manufacturing capacities. Furthermore, we hope to replicate this state-of-the-art technology in Malaysia to enhance productivity, reduces reliance of foreign workers and at the same time promotes the usage of more precast products within Sunway Group's developments.

While SunCon is selective on securing projects, clients and business partners, we are cognisant of the need to expand geographically in order to sustain and grow our operations in the near future. We have performed some exploratory within the ASEAN region. We are currently in discussion with potential strategic partners in Myanmar and Indonesia and our mode of entry would be in Project Management in developing infrastructure and other purpose-built projects such as medical centers in which we have expertise in.

With a strong track record, sound balance sheet and clear business strategy, we have a bright prospects in 2018 and beyond.

Sunway Velocity Link Bridge

REVIEW OF FINANCIAL RESULTS

STATEMENTS OF FINANCIAL PERFORMANCE

	FINANCIAL YEAR ENDED					QUARTERLY ENDED			
	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	MAR '17 RM'000	JUN'17 RM'000	SEPT'17 RM'000	DEC'17 RM'000
CONDENSED INCOME STATEMENTS									
Revenue	2,076,290	1,788,844	1,916,859	1,880,707	1,839,593	419,531	417,232	491,360	748,167
Profit Before Tax	174,195	153,677	140,750	139,324	107,065	44,164	42,768	43,072	44,191
Income Tax Expense	(36,227)	(30,039)	(13,012)	(26,495)	(24,107)	(9,518)	(6,070)	(8,594)	(12,045)
Profit Net of Tax	137,968	123,638	127,738	112,829	82,958	34,646	36,698	34,478	32,146
Non-Controlling Interest	(138)	(119)	(574)	(25)	846	13	65	108	(324)
Profit Attributable to Owners of the Parent	137,830	123,519	127,164	112,804	83,804	34,659	36,763	34,586	31,822
Net Profit From Discontinued Operations	-	-	-	50,339	(16,878)	-	-	-	-
Total Net Profit to Owners of the Parent	137,830	123,519	127,164	163,143	66,926	34,659	36,763	34,586	31,822
Financial Indicators									
Profit Before Tax Margin (%)	8.4%	8.6%	7.3%	7.4%	5.8%	10.5%	10.3%	8.8%	5.9%
Effective Tax Rate (%)	20.8%	19.5%	9.2%	19.0%	22.5%	21.6%	14.2%	20.0%	27.3%
Basic Earnings Per Share (sen)	10.66	9.55	9.84	12.62	5.20	2.68	2.84	2.68	2.46
Average Return On Capital Employed (AROCE) (%)	48%	57%	52%	28%	9%	-	-	-	-
Average Return On Equity (AROE) (%)	26%	26%	31%	16%	11%	-	-	-	-

REVENUE

SunCon has recorded yet another year of high with increase in revenue of **16.1%**

2016 RM1,788.8 million ▶ **2017** RM2,076.3 million

CONSTRUCTION SEGMENT

The construction segment reported revenue of RM1,931.4 million (2016 : RM1,502.1 million). The higher revenue in 2017 by 28.6% was mainly due to higher contribution from Building division in Central region and Civil division mainly due to higher work progress from Parcel F, Putrajaya, and KVMRT V201 from Sg Buloh to Persiaran Dagang coupled with the finalisation of the earlier KVMRT V4 package from Seksyen 16 to Semantan Portal.

PRECAST SEGMENT

The precast segment reported revenue of RM144.9 million (2016 : RM286.7 million). Revenue decreased by 49.5% mainly due to completion of several big projects and some delays in project schedule. New project secured will only contribute in 2018.

	FINANCIAL YEAR ENDED									
	2017 RM'000	%	2016 RM'000	%	2015 RM'000	%	2014 RM'000	%	2013 RM'000	%
SEGMENTAL REVENUE										
Building Construction	1,288,046	67%	1,097,324	73%	931,298	56%	816,717	50%	809,582	51%
Civil/Infrastructure	487,866	25%	370,434	25%	546,516	33%	632,149	39%	440,840	28%
Foundation and Geotechnical Engineering	202,840	11%	200,092	13%	293,568	17%	278,267	17%	404,071	25%
Mechanical, Electrical and Plumbing	465,975	24%	321,656	21%	380,667	23%	305,083	19%	300,650	19%
Others	5,217	0%	2,086	0%	697	0%	1,211	0%	46,674	3%
Consolidated Adjustment	(518,552)	-27%	(489,493)	-33%	(488,730)	-29%	(407,276)	-25%	(414,710)	-26%
Total Construction	1,931,392		1,502,099		1,664,016		1,626,151		1,587,107	
Total Precast	144,898		286,745		252,843		254,556		252,486	
Total Turnover	2,076,290		1,788,844		1,916,859		1,880,707		1,839,593	
Major Customer										
Syarikat Prasarana Negara Berhad	73,084	4%	43,572	3%	239,012	14%	420,741	26%	281,453	17%
MMC Gamuda	344,124	18%	230,807	15%	235,723	14%	210,289	13%	154,377	10%
Cititower Sdn Bhd	161,200	8%	166,495	11%	77,050	5%	110,356	7%	-	0%
Putrajaya Bina Sdn Bhd	491,222	25%	184,619	12%	112,359	7%	-	0%	-	0%
Iskandar Malaysia Studios Sdn Bhd	-	0%	-	0%	-	0%	-	0%	186,249	12%
In-House	640,372	33%	710,624	47%	748,621	45%	704,753	43%	622,811	39%
Others	221,390	11%	165,982	11%	251,251	15%	180,012	11%	342,217	22%
Total Construction Revenue	1,931,392		1,502,099		1,664,016		1,626,151		1,587,107	
GP Margin - Construction	20.4%		20.7%		18.0%		17.7%		17.2%	
GP Margin - Precast	24.0%		23.9%		35.1%		42.5%		26.9%	
GP Margin - Total	20.6%		21.2%		20.3%		21.0%		18.4%	

GROSS PROFIT

CONSTRUCTION SEGMENT

The construction segment reported a gross profit margin of 20.4% (2016 : 20.7%). Gross profit margin remained broadly the same for both 2017 and 2016. Gross profit takes into account all direct cost except for staff costs which is accounted for wholly under administrative expenses.

PRECAST SEGMENT

The precast segment reported a gross profit margin of 24.0% (2016 : 23.9%). Although turnover has dropped by 49.5%, precast division managed to maintain their gross profit margin as cost are mainly variable and not fixed.

REVIEW OF FINANCIAL RESULTS (CONT'D)

PROFIT BEFORE TAX	2017 RM'000	%	2016 RM'000	%	2015 RM'000	%	2014 RM'000	%	2013 RM'000	%
SEGMENTAL REVENUE										
Construction	146,686	7.6%	95,454	6.4%	63,790	3.8%	40,096	2.5%	49,507	3.1%
Precast	27,509	19.0%	58,223	20.3%	76,960	30.4%	99,228	39.0%	40,305	17.6%
Total Profit Before Tax	174,195	8.4%	153,677	8.6%	140,750	7.3%	139,324	7.4%	89,812	4.9%

PROFIT BEFORE TAX

There is an increase in profit before taxation of **13.4%**

2016 RM153.7 million ▶ **2017** RM174.2 million

The group's profit before tax margin for current year (2017: 8.4%) remained relatively the same as compared to prior year (2016: 8.6%).

CONSTRUCTION SEGMENT

The profit before tax margin are within the normal range with a slight improvement of 1.2% (2017: 7.6% ; 2016: 6.4%). The profit recorded in financial year ended 2017 is due to good progress from our exisiting projects while the profit recognised in financial year ended 2016 was boosted by reversal of impairment of our Al-Reem, Abu Dhabi project of RM 18.9 million.

PRECAST SEGMENT

The precast segment has maintained a stable profit before tax margin of 19.0% in 2017 (2016: 20.3%) despite the drop in turnover due to reduction in overheads as a result of return of Tampines plant to the Government of Singapore this year.

OTHER INCOME

Other Income dropped to RM16.7 million (2016 : RM35.9 million). In year 2016, other income was boosted by reversal of impairment losses for our Al-Reem, Abu Dhabi project of RM18.9 million (2017 : nil), accretion of financial assets of RM4.3 million (2017 : RM0.1 million) and higher rental income from plant and machinery RM2.1 million (2017 : RM0.9) as most machines this year were utilised in-house instead of being rented out to external parties.

Included in other income are reversal of allowance for impairment losses amounted to RM2.7 million (2016 : RM1.7 million) as we have collected the impaired debt in year 2017, and foreign exchange gain of RM0.7 milion (2016 : RM0.4 million).

ADMINISTRATIVE EXPENSES

Total administrative expenses amounted to RM274.5 million (2016 : RM256.1 million).

This represents a increase of **7.2%**

a) Employee costs amounted to RM178.0 million (2016 : RM173.8 million) with increase of 2.4% vs increase in number of employee of 3.6% (2017 : 2,097 staff number; 2016 : 2,025 staff number).The increase was in tandem with the increase in head count and also the increase in order book and turnover for the year.

b) Depreciation of Property, Plant and Equipment amounted to RM35.3 million (2016 : RM37.1 million). Despite higher capital expenditure, our depreciation decreased as compared to previous financial year as most assets are fully depreciated and new capital expenditure only came in towards last quarter of 2017.

c) Management Fees and SLA fees for our IT, HR and Finance of RM22.7 million (2016 : RM22.7 million) which remained the same despite higher turnover due to savings from implementation of ESKER/e-invoicing which automated our invoice matching process.

d) Other major cost are insurance for our assets and staff, IT licensing cost and repairs, domestic travelling cost for our staffs who travel to project sites.

OTHER EXPENSES

Total other expenses amounted to RM6.2 million (2016 : RM9.5 million).

a) Forex exchange loss of RM0.6 million (2016 : Nil) from the strengthened of Ringgit Malaysia towards end of the year as compared with our hedged amount in US Dollar of a higher amount for the purchase of facade works for a building project.

b) Amortisation of intangible (mainly on our Enterprise Resource Planning (ERP) software of RM2.5 million (2016 : RM1.9 million).

c) Allowance for impairment due from trade receivable amounted to RM0.08 million (2016 : RM2.7 million). The reduction was mainly due to a collection of impaired debt as discussed in other income.

FINANCIAL INCOME AND COST

Finance Income of RM13.5 million (2016 : RM10.5 million). There is an interest on arbitration case in India amounting to RM2.4 million (2016 : nil) which we received in 2017. The balance are from deposits with a weighted average rate of 5.05% p.a (tax free) (2016 : 4.83%). These placements are made with unit trust funds with special tax exemption.

Finance cost averaged at around 3.88% p.a (2016 : 3.85%) which are mainly from short term funding via discounting of our tax invoices for our sales. Apart from financial institutions, we borrow from Sunway Treasury at rates ranging from 4.45% to 4.55% (2016: 4.45% to 5.67%) for our longer term financing requirement for example, our purchase of capital expenditure.

SHARE OF RESULTS OF JOINT VENTURE

This relates to our joint venture SunCity SunCon Joint Venture with property development in Sunway Alam Suria. Sunway Alam Suria is a mix residential development nestled at Seksyen U10, Shah Alam. This is the balance profit after the development was fully sold in 2017. This is a project brought forward since pre 2010. The land has been fully developed with a GDV of RM384 million. With the conclusion of this development, there is no property development exposure by SunCon. There was no recognition of share of result of a joint venture in 2016.

TAXATION

The effective tax rate for the current year ended 2017 is at **20.8%**

This is lower than Malaysia's statutory tax rate of 24% mainly due to the lower tax rate payable of 17% by our Singapore subsidiary, foreign income which is not taxable (our India arbitration gain) and interest income which are tax free. In addition, we have some savings from lower tax rate as a result of reduction in tax rates from incremental profit as announced during Malaysia's Budget 2017.

The effective tax rate for the current year ended 2017 was higher at 20.8% as compared to 2016 of 19.5% due to Singapore taxable income which reduced from RM34.3 million to RM24.3 million and 2016's income from UAE of RM19.4 million which is tax free.

REVIEW OF FINANCIAL RESULTS (CONT'D)

STATEMENTS OF FINANCIAL POSITION

FINANCIAL YEAR ENDED	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
KEY BALANCE SHEET					
Property, Plant and Equipment	149,844	138,381	161,783	175,820	180,895
Other Non-Current Assets	8,478	16,729	18,426	38,171	53,470
Total Non-Current Assets	158,322	155,110	180,209	213,991	234,365
Trade Receivables *	999,757	606,692	487,377	606,688	516,394
Cash and Bank and Placement	487,240	465,768	468,477	291,617	156,085
Intercompany	89,532	174,443	90,584	70,918	453,137
Other Current Assets	152,340	195,282	170,791	140,984	81,905
Total Current Assets	1,728,869	1,442,185	1,217,229	1,110,207	1,207,521
Total Assets	1,887,191	1,597,295	1,397,438	1,324,198	1,441,886
Trade Payables *	633,109	577,029	548,836	521,644	423,041
Borrowings And Hire Purchase/Lease	134,659	136,515	136,841	135,132	75,057
Intercompany	149,087	82,960	53,810	25,245	29,923
Other Current Liabilities	408,482	306,401	202,178	257,611	287,193
Total Current Liabilities	1,325,337	1,102,905	941,665	939,632	815,214
Total Non Current Liabilities	7,009	608	4,095	4,354	16,981
Total Equity	554,845	493,782	451,678	380,212	609,691
Total Equity And Liabilities	1,887,191	1,597,295	1,397,438	1,324,198	1,441,886

** Before amount due from/to customer on contracts.*

Financial Indicators					
Net Gearing Ratio (Times)	Net Cash Positive				
Inventory Turnover (Days)	79	39	37	48	58

SunCon's balance sheet continues to remain resilient with strong net positive cash carry of RM352.6 million (2016 : RM329.3 million). This provides a solid footing for SunCon should an attractive Private Finance Initiative (PFI) or a bullet payment project emerges as we are able to bridge such project internally. In the rising interest cost regime, being in net cash carry position, we get to enjoy better interest income from our surplus cash placement.

PROPERTY, PLANT AND EQUIPMENT

SunCon owns a freehold land with the cost of RM8.5 million which is our precast land in Senai, Johor. This land has a total land area of 475,409 sq ft and it is an open yard with production line, worker's canteen and a power station.

Under the Buildings category, there is a cost of RM18.1 million (2016 : 13.3 million), RM13.8 million is the building/open casting yard for our Senai Precast plant. RM2.5 million (2016 : nil) is our Iskandar precast plant set up on a rented land. The balance are Machinery workshop and corporate headquarter of precast in Singapore.

In Plant and Machinery, there is a total of RM303.1 million (2016 : RM282.3 million) cost comprising mainly of geotechnical boring machines and its tools (46%), Precast overhead cranes and other machineries (5%), Formwork (14%), Tower Cranes/Mobile Cranes (11%), Launder Girder (7%).

SunCon also owns motor vehicles with a cost of RM22.2 million (2016 : RM24.3 million). We have high motor vehicles and motorbikes as it is the norm under the contractual requirement for us to provide cars for our clients and consultants. At the end of the project, cars will be disposed-off or recycled for our own project team.

Office equipment, furniture and fitting make up a total of RM9.6 million (2016 : 13.9 million) in cost. Majority (80%) are from IT equipment in the likes of software and hardware.

Sunway Construction Annual Report 2017

Capital work-in progress of RM0.5 million (2016 : RM4.7 million) cost is the modification cost to our launcher girders in order for our assets to be mobilised to our MRT Package 2 from Sungei Buloh to Persiaran Dagang. 2016's amount were mainly for our Iskandar precast plant, in 2017, our precast plant was fully completed and this was re-classed to individual assets classification.

INVENTORY

Our Group's inventory level under precast division is at of 79 days (2016 : 39 days). The increase is mainly due to our clients' delays in taking our finished products of RM15.3 million (2016 : RM12.9 million) as they encountered issues at site. Finished goods are made to order and raw materials are mainly steel coil of which we keep at minimum stock level.

Spare parts RM3.1 million (2016 : RM4.2 million) are mainly for our boring machines. We have to keep a certain amount of spare parts to ensure our repair and maintenance downtime are kept at a minimum as crucial parts usually takes time as they are sourced internationally.

Property stocks of RM0.5 million (2016 : RM0.5 million) is mainly a piece of bungalow land in Cahaya SPK measuring 12,561 sq ft with leasehold expiring in 2092.

TAX RECOVERABLE

Total tax recoverable amounted to RM21.9 million (2016 : RM12.7 million). Amount recoverable from India tax authorities amounted to RM6.8 million and all are under legal proceeding. In 2017, SunCon continued to pursue its recoverability of taxes from the tax authorities in India however on account of India's GST implementation in 2017, there were no hearings in India's High Courts for old cases and they would be only likely to be taken up for hearings in the year 2018.

The balance of the tax recoverable of RM15.1 million are with the Inland Revenue Board of Malaysia of which majority are for over payment of taxes with respect of year assessment 2016 of RM7.4 million, year assessment 2015 of RM1.3 million and amount under legal case of RM3.2 million with respect to tax audit for year assessment 2009 to 2011. The balance are for over payment of taxes for 2017 paid under self-assessment.

STATEMENTS OF CASH FLOWS

FINANCIAL YEAR ENDED	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
CONDENSED STATEMENTS OF CASH FLOWS					
Dividend From Joint Venture	2,153	-	24,841	97,382	47,212
Other Operating Cash Flows	60,681	85,616	214,788	193,545	35,926
Total Operating Cash Flows	62,834	85,616	239,629	290,927	83,138
Acquisition of Property, Plant and Equipment	(54,688)	(19,016)	(38,673)	(45,731)	(49,404)
Disposal of Property, Plant and Equipment	6,246	2,055	14,980	7,944	9,360
Advance Received From Joint Venture/Related Company	83,314	11,250	24,542	208,429	(21,352)
(Acquisition) / Disposal of Investment	-	-	-	25,985	(35,976)
Placement In Funds	-	78,000	(64,800)	14,350	28,227
Other Investing Cash Flows	(7)	379	17	51,632	-
Total Investing Cash Flows	34,865	72,668	(63,934)	262,609	(69,145)
Dividend	(71,090)	(84,039)	(70,000)	(427,958)	-
Other Financing Cash Flows	(2,851)	(326)	1,599	9,943	34,498
Total Financing Cash Flows	(73,941)	(84,365)	(68,401)	(418,015)	34,498
Financial Indicators					
Trade Receivables Turnover (Days)	128	108	73	92	92
Trade Payables Turnover (Days)	111	149	107	92	90

SunCon continued to have a healthy net cash position with cash of RM486.8 million (2016 : RM465.3 million) and borrowing of RM134.7 million (2016 : RM136.5 million). Approximately 28.5% has been placed in shariah compliant financial institution for our qualification as a shariah based index /counter.

REVIEW OF FINANCIAL RESULTS (CONT'D)

OPERATING ACTIVITIES

Net cash generated from operating activities stood at RM62.8 million compared to RM85.6 million recorded in the previous financial year. The decrease is evident from the improvement in payment to creditors to 111 days in financial year ended 2017 (2016 : 149 days) as a result to expediting some finalization of accounts with our creditors. As for trade receivables turnover period, there is a slower collection of 128 days (2016 : 108 days) as a result of a bullet payment project which has deferred its collection as the CPC for the said project was only obtained in fourth quarter 2017 as a result of authorities approval for the official opening of the road which only took place 29 November 2017. We have since received milestone payment as per agreed payment terms in February 2018.

INVESTING ACTIVITIES

SunCon saw an increased in capital expenditure of RM54.7 million (2016 : RM19.0 million). This is in tandem with the higher order book. Capital expenditure is crucial to the smooth execution of our projects especially the LRT3 Package 07-08 from Kawasan 17 to Sri Andalas which has to be completed in 3 years time. The purchase of the fixed assets will be beneficial in the long term as the option of rental is more expensive.

Our advance from Sunway Treasury Sukuk, our intermediate holding company's centralised treasury centre has increased its lending to us to RM118.2 million (2016 : RM43.6 million) at a rate of 4.45% p.a. This was mainly to facilitate the bullet payment project as mentioned under operating activities above and capital expenditure.

FINANCING ACTIVITIES

The main payment under financing activities was dividend payment to shareholders of RM71.1 million (2016 : 84.0 million). The higher payment in 2016 was due to maiden dividend that was paid in a single tranche after our listing on 28 July 2015 in 2016 of RM51.7 million. In addition, SunCon exercised its share buyback in June 2017 which resulted in 654,000 shares bought at a cost of RM1.3 million.

OPERATIONAL INDICATORS

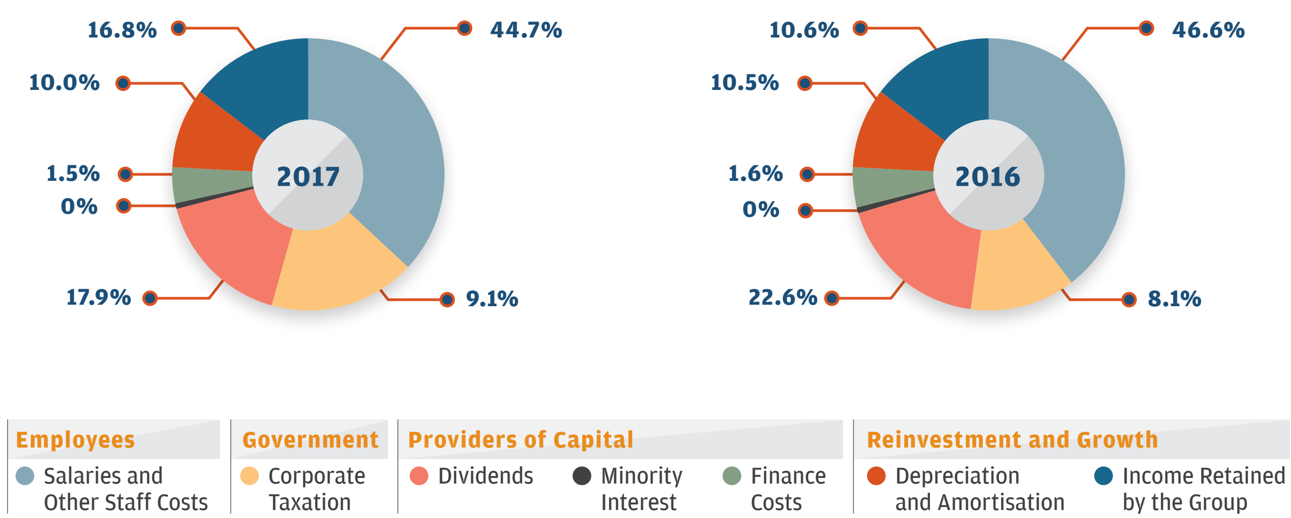
FINANCIAL YEAR ENDED	2017	2016	2015	2014	2013
Operational Indicators					
Number of Staff as at December	2,097	2,025	1,997	2,335	2,429
Staff Productivity (Times)	12	10	11	10	11
Outstanding Order Book (RM'Mil)	6,135	4,780	3,778	2,963	3,194
New Order Book secured (RM'Mil)	3,957	2,656	2,601	763	2,945
Precast Segment Indicators					
HDB BTO Launched in Singapore (Units)	17,593	17,891	15,100	22,455	25,139
Precast Division Sales - Private (%)	15.4%	15.1%	15.3%	4.0%	3.0%
Precast Division Sales - HDB (%)	84.6%	84.9%	84.7%	96.0%	97.0%
Maximum Plant Capacity (M^3) Per Annum	156,600	245,150	195,000	207,000	207,000
Utilisation - Senai Plant (%)	53%	57%	35%	32%	27%
Utilisation - Iskandar Plant (%)	43%	22%	N/A	N/A	N/A
Utilisation - Tampines Plant (%)	N/A	71%	65%	69%	64%
Returns to shareholders					
Share Price - as at Listing 28 July 2015 (RM)	N/A	N/A	1.20	N/A	N/A
Share Price at Closing End of Period (RM)	2.51	1.70	1.40	N/A	N/A
Price-Earning Ratio (Times)	23.6	17.8	14.2	N/A	N/A
EV/EBITDA (Times)	14.1	9.9	8.2	N/A	N/A
Dividend Payout Ratio (%)	66%	52%	42%	N/A	N/A
Dividend Yield (Based on opening share price) (a)	4.1%	3.6%	3.3%	N/A	N/A
Price Appreciation for the Period (b)	47.6%	21.4%	16.7%	N/A	N/A
Total Shareholders Return (a) + (b)	51.7%	25.0%	20.0%	N/A	N/A
Closing Price to Book Value (RM)	5.8	4.5	4.0	N/A	N/A
Net Assets Per Share (RM)	0.43	0.38	0.35	N/A	N/A
Market Capitalisation (RM'000)	3,245,179	2,197,930	1,810,060	N/A	N/A

Notes:

1. *Proforma Financial Results for Financial Year Ending 2013 as per Accountant's Report dated 17 November 2014 for inclusion in the Prospectus of Sunway Construction Group Berhad.*
2. *Iskandar plant only started operations in year 2016.*
3. *Tampines plant was returned to the Government in the year 2017.*
4. *EV = Market Capitalisation + Borrowing + Minority Interest - Cash.*

VALUE ADDED STATEMENT

FINANCIAL YEAR ENDED	2017 RM'000		2016 RM'000	
VALUE ADDED				
Revenue	2,076,290		1,788,844	
Purchases of Goods and Services	(1,680,492)		(1,416,182)	
Value Added by the Group	395,798		372,662	
Share of Profits of Joint Ventures	2,153		-	
Total Value Added	397,951		372,662	
VALUE DISTRIBUTED				
Employees				
Salaries and Other Staff Costs	178,033	44.7%	173,786	46.6%
Government				
Corporate Taxation	36,227	9.1%	30,039	8.1%
Providers of Capital				
Dividends	71,090	17.9%	84,039	22.6%
Finance Costs	6,084	1.5%	6,056	1.6%
Minority Interest	138	0.0%	119	0.0%
Reinvestment and Growth				
Depreciation and Amortisation	39,639	10.0%	39,143	10.5%
Income Retained by the Group	66,740	16.8%	39,480	10.6%
Total Distributed	397,951	100.0%	372,662	100.0%



CAPITAL MANAGEMENT

SunCon's capital management strategy is to maximise shareholders' wealth by managing our excess funds accordingly. Our funds are invested in a diverse portfolio such as the fixed income securities, money market instruments or placement in selected financial institutions. SunCon also has the privilege to source for the most reasonable interest rates both in placement and borrowings through support services offered by Sunway Treasury Sdn. Bhd. and it's Islamic arm, Sunway Treasury Sukuk Sdn. Bhd. Sunway Treasury's main objective is to optimise internal funds management and to reduce external funding cost. SunCon also manage our funds by:-

- Monitoring foreign exchange exposure and hedge when opportunity arises.
- Ensuring all excess funds are placed with a reasonable return.
- Assessing our borrowing requirement and ensuring that we obtained the lowest borrowing rates.
- Monitoring our bank balance to ensure that cash is sufficient for day to day operations and that the closing balance are being kept at it's minimal.
- Maximise interest rate differential between placement rate and borrowing rate.
- Liasing with bank on annual renewal of facilities and new facilities.

It is always important to ensure that there are sufficient credit facilities in hand so that SunCon can seize every job opportunity in the market. Our credit facilities issued by banks are usually for the issuance of bank guarantees such as performance bonds, advanced payment bonds, tender bonds, security bonds, loan bill discounting and revolving credit. In 2016, we have utilised 62% of our credit facilities and the balance of 38% serves as a buffer to support any new projects.

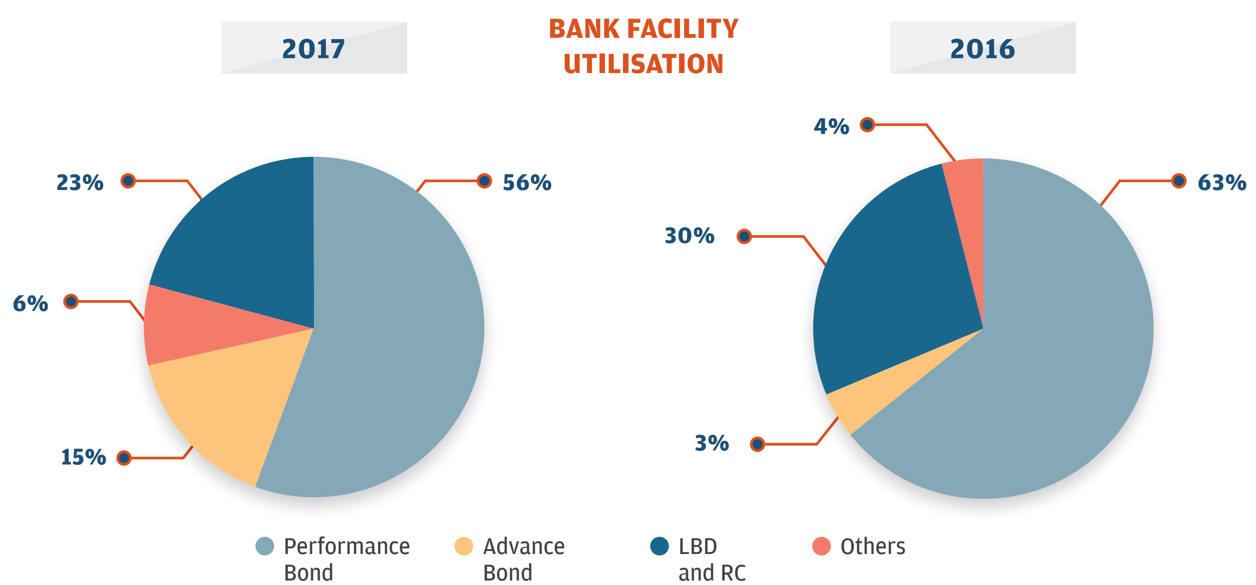
DEBT MANAGEMENT

The borrowings in 2017 of RM135 million are solely from Loan Bill Discounting. Projects monthly progress certificates are being used as an instrument for Loan Bill Discounting application with a maturity tenure ranging from 30 to 120 days. There is no net gearing in the group as SunCon is able to maintain at a positive net cash position. The weighted average borrowing rate is at 3.88% (2016: 3.85%).

Borrowings are mainly utilised for short term purpose for a period not exceeding 120 days to manage our receivables turnaround period. It is also used to support the initial stage of new project which has more upfront cost, capital expenditure requirements, bulk purchase of materials for better economies of scale and optimisation of interest rates differentials. The interest coverage ratio has increased 25 times in 2016 to 27 times in 2017 due to the increase in borrowings made during the year.

SHARIAH COMPLIANT FUNDS

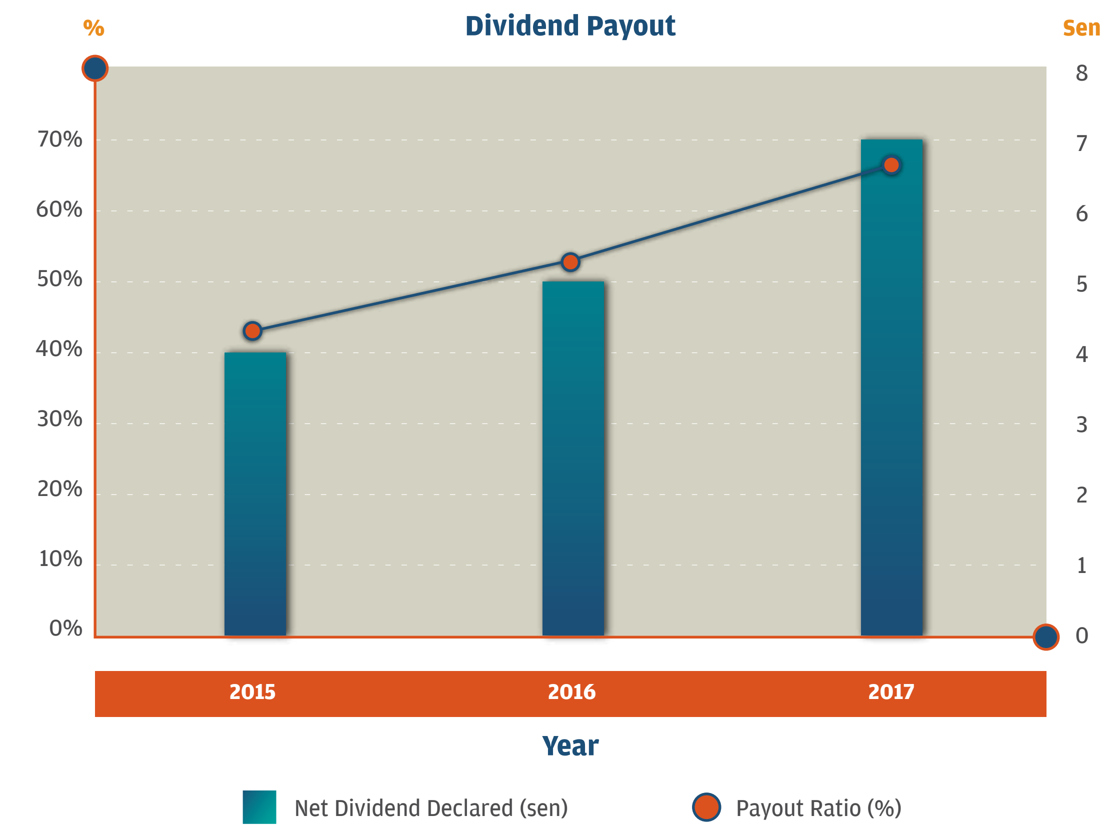
Under the shariah complaint regulation, there is a particular ratio in respect cash over total assets where cash placed in conventional accounts and instruments, must be less than 33% of total assets. As SunCon has a total gross cash of RM487.2 million, the ratio of cash over total assets is 25.8% (Total Assets : RM1,887.2 million) which is lower than the stipulated percentage of 33 percent. Moreover, out of the RM487.2 million of gross cash, 28.5% was placed under Shariah Compliant Funds.



FINANCIAL YEAR ENDED	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
Hire Purchase Obligations	-	-	-	-	5,490
Term Loans	-	-	-	208	3,676
Bankers' Acceptances	-	-	-	505	14,092
Loan Bills Discounting	134,659	136,515	86,652	83,839	-
Revolving Credits	-	-	50,189	50,168	50,000
Bank Overdrafts	-	-	-	-	1,798
Total Borrowings	134,659	136,515	136,841	134,720	75,056
Total Finance Cost	6,084	6,056	3,507	3,339	3,908
Total Finance Income	13,477	10,488	8,045	4,055	4,328
Net Finance Income	7,393	4,432	4,538	716	420
Financial Indicators					
Net Gearing Ratio (Times)	Net Cash Positive				
Interest Coverage Ratio	27	25	39	35	14

DIVIDEND POLICY

SunCon is commited in providing good returns to it's shareholders. It is the Board's continuous intention to pay good dividends to our shareholders as our appreciation in your support towards the company's growth. During the year, the annual dividend payout to the Group's shareholders amounted to 7 sen, which is a sum of the 1st interim cash dividend of 3 sen and 2nd interim dividend of 4 sen. This is higher than the dividend payout in prior years (2016: 5 sen ; 2015: 4 sen). We are committed in delivering satisfactory results backed by strong fundamentals and sound balance sheet in 2018 to be able to reward shareholders more than the Group's dividend payout policy of 35% of core net profit.



REVIEW OF SHARE PERFORMANCE

Sunway Construction Group Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad.

Listing Date	28 July 2015
Stock Name	SUNCON
Stock Code	5263
Stock Sector	Construction
Others	Shariah Compliant

SunCon's share price increased at a slow pace during the first quarter of 2017 with a gain of 3.5% as compared to higher gains made by both FTSE Bursa Malaysia Kuala Lumpur Index Composite Index (FBM KLCI) and the Bursa Malaysia Construction Index (KLCON) of 6.0% and 13.6% respectively.

Our share performance spiked up in the second quarter of 2017 mainly due to more newsflows on government pump priming infrastructure projects in the likes of LRT 3 and ECRL of which SunCon is one of the strong contenders.

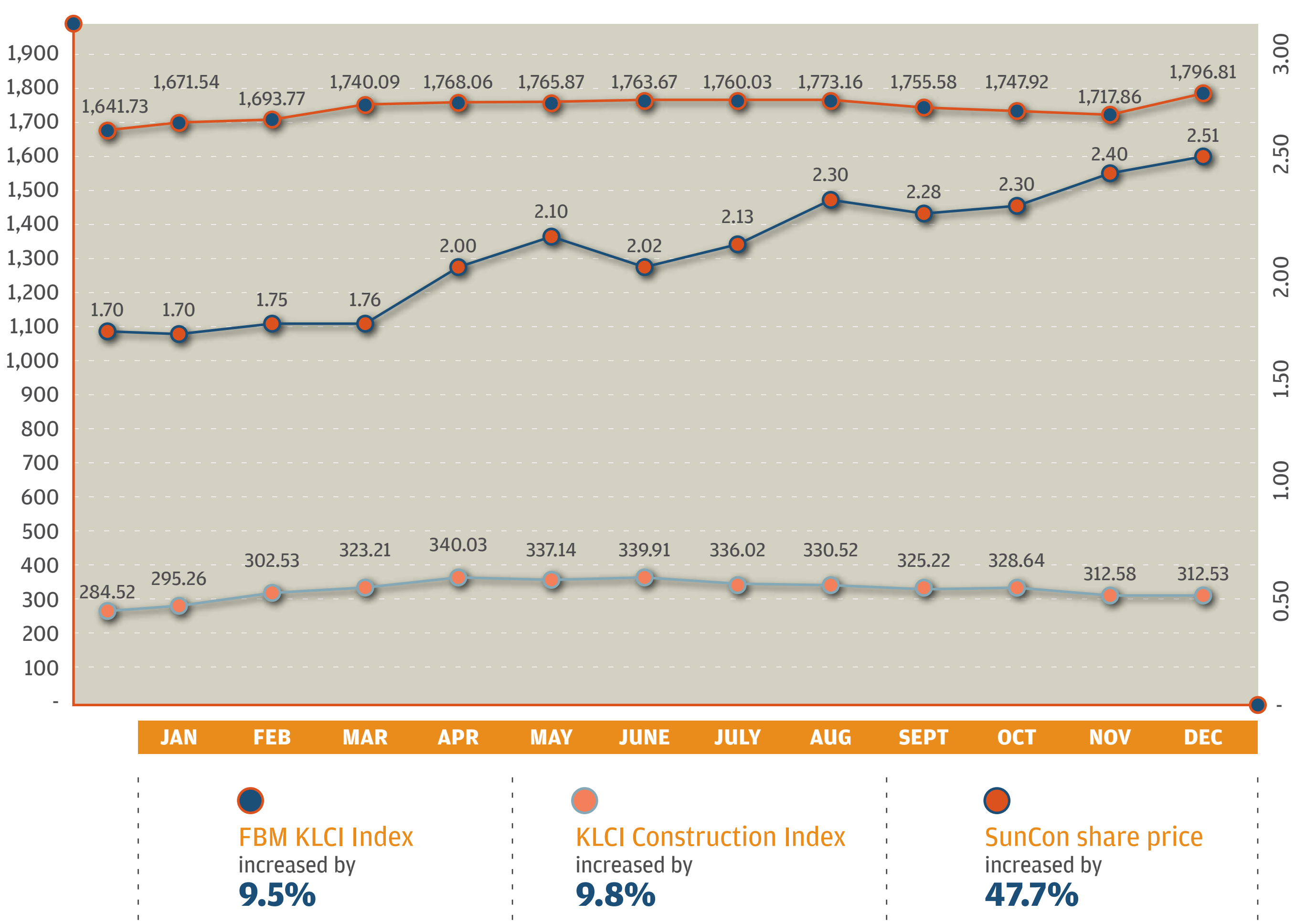
SunCon's share price has been increasing steadily during the third quarter even when the FBM KLCI and KLCON Index declined during the quarter. This was partly contributed by the award of Package GS 07-08 of the LRT3 project worth RM2,178 million. This is our single largest contract secured to date.

During the same quarter, we have also secured other projects such as the Project Perumahan Awam 1Malaysia (PPA1M) in Kota Bahru worth RM582 million. Up to the third quarter of 2017, SunCon has secured at total of RM4 billion worth of new projects. This has way surpassed management's order book replenishment target of RM2 billion. The share price continued to improve in quarter four of 2017 performing better than the local benchmark and construction index.

SunCon closed 2017 higher by 47.7% at RM2.51 ahead of FBM KLCI and KLCON. This has more than doubled our Initial Public Offering (IPO) price of RM1.20 in July 2015 and the December close is also our new high since IPO.

REVIEW OF SHARE PERFORMANCE VS FTSE KLCI AND KLCON

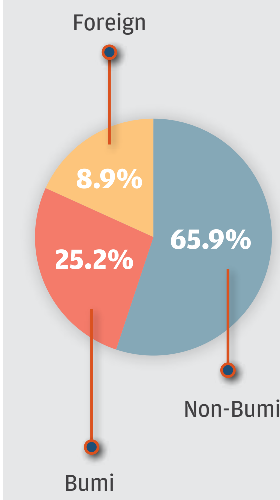
2017



	31 DEC 2016	SHARE PRICE AND INDEX PERFORMANCE 1Q	2Q	3Q	4Q	2017
SunCon (RM)	1.70	1.76	2.02	2.28	2.51	2.51
Change (RM)		0.06	0.26	0.26	0.23	0.81
Change (%)		3.5%	14.7%	12.9%	10.1%	47.7%
FBM KLCI	1,641.73	1,740.09	1,763.67	1,755.58	1,796.81	1,796.81
Change (pts)		98.36	23.58	(8.09)	41.23	155.08
Change (%)		6.0%	1.4%	-0.5%	2.3%	9.5%
KLCON	284.52	323.21	339.91	325.22	312.53	312.53
Change (pts)		38.69	16.70	(14.69)	(12.69)	28.01
Change (%)		13.6%	5.2%	-4.3%	-3.9%	9.8%

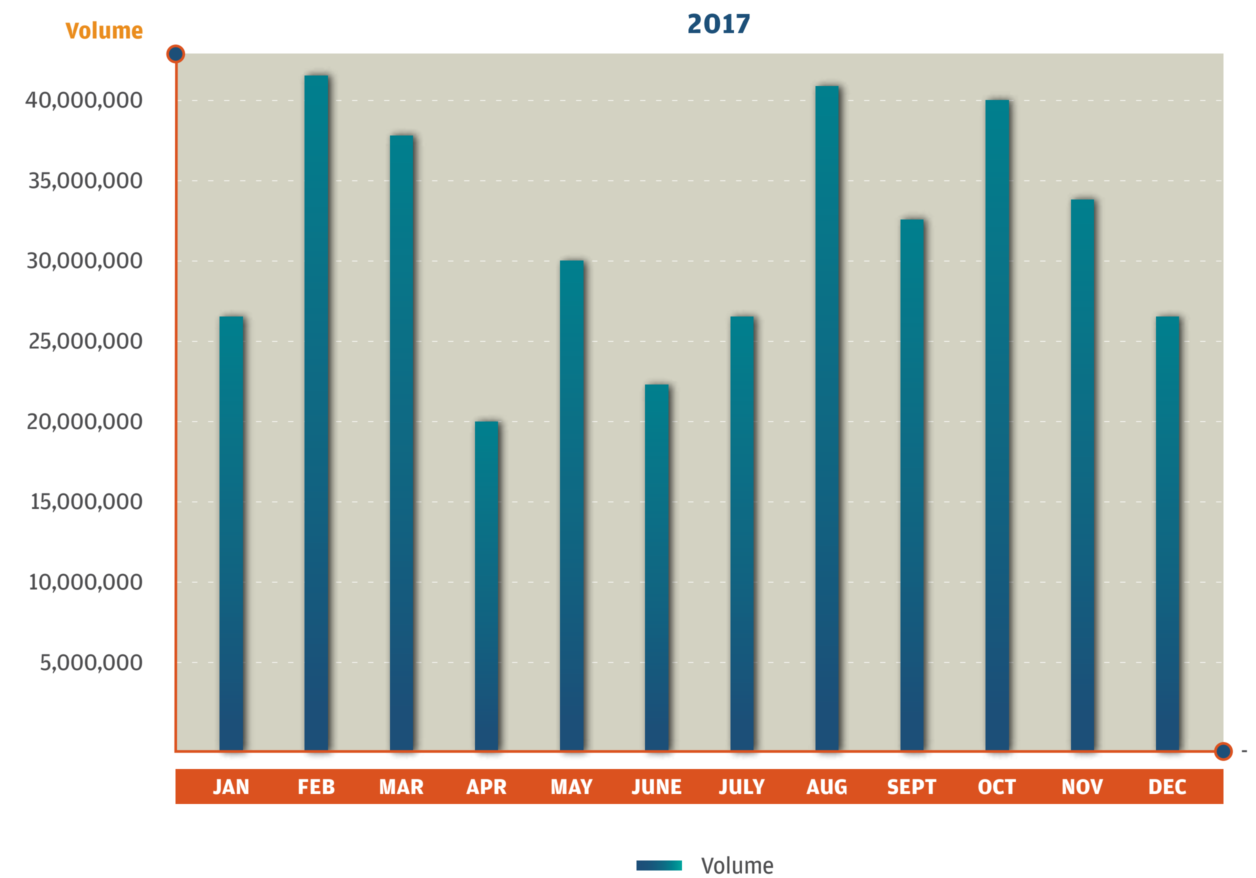
	IPO - 28 JULY 2015	2015	2016	2017	MOVEMENT SINCE IPO
Market Capitalisation (RM'000)	1,551,480	1,810,060	2,197,930	3,245,179	109%
Closing Price (December) (RM)	1.20	1.40	1.70	2.51	
Dividend Per Share (sen)		4.0	5.0	7.0	
Highest Closing Share Price (RM)		1.42	1.74	2.51	
Lowest Closing Share Price (RM)		1.09	1.35	1.69	
Basic EPS (sen)		9.84	9.55	10.66	

% of shareholding as of December 2017



SHARE VOLUME PERFORMANCE IN 2017

2017



SUSTAINABILITY

CREATING AN EVERLASTING LEGACY WITH A BALANCED MIXTURE

Our legacy is built on sustainable practices. This is a belief held close to our heart. It is our duty to ensure that we stand firm in our beliefs for the betterment of everything and everyone that surrounds us.

ABOUT THIS SUSTAINABILITY STATEMENT

This Sustainability Statement covers activities that are significant to Sunway Construction's business and stakeholders and how these material aspects are disclosed. This statement summarises the Group's progress in 2017 including the policies, practices and procedures developed.

Sunway Construction's commitment to maintaining the highest levels of transparency and accountability continue to propel the Company to the next reporting level, year on year. Our inclusion in the FTSE4Good Index was reaffirmed in 2017.

SCOPE OF THIS REPORT

REPORTING PERIOD

1 January 2017 to 31 December 2017

REPORTING CYCLE

Annually

ORGANISATIONS COVERED

Sunway Construction Group Berhad and its active subsidiaries Sunway Construction Sdn Bhd, Sunway Engineering Sdn Bhd, Sunway Geotechnics (M) Sdn Bhd, Sunway Precast Industries Sdn Bhd and Sunway Concrete Products (S) Pte Ltd.

More detailed information on Sunway's divisions and subsidiaries can be viewed in the Group Corporate Structure section of this annual report. References to 'SunCon', 'SunCon Group', 'the Group', 'the Company', 'the Organisation' and 'we' refer to Sunway Construction Group Berhad and/or its divisions and subsidiaries.

The data is presented in the most accurate manner possible, using quantitative indicators where relevant. Group data and information are presented whenever possible. However, initiatives and/or data by particular divisions or subsidiaries have been highlighted as indicated in the text.

GUIDELINES

Principal Guideline
- Global Reporting Initiative (GRI) Standards

Additional Guidelines
- Bursa Malaysia's Sustainability Reporting Guide
- International Organisation for Standardisation (ISO) 26000:2010 Guidance on Social Responsibility

REPORT CONTENT

The contents of this report have been determined after considering the materiality of different aspects and issues by asking the following three questions:
- What are the regulatory requirements?
- What is material for our stakeholders and their interests?
- What is material for the Company's business?

RELIABILITY AND RELEVANCE OF INFORMATION DISCLOSED

An external consultant is engaged to improve the materiality processes by seeking the views of representatives from all stakeholder groups. This objective study helps identify the most important aspects of sustainability for our stakeholders and the Group.

FEEDBACK

For further information, please contact:

NG BEE LIEN
Chief Financial Officer
Level 8, Menara Sunway,
Jalan Lagoon Timur,
Bandar Sunway, 47500 Subang Jaya,
Selangor Darul Ehsan, Malaysia.
T (603) 5639 9645
F (603) 5639 9530

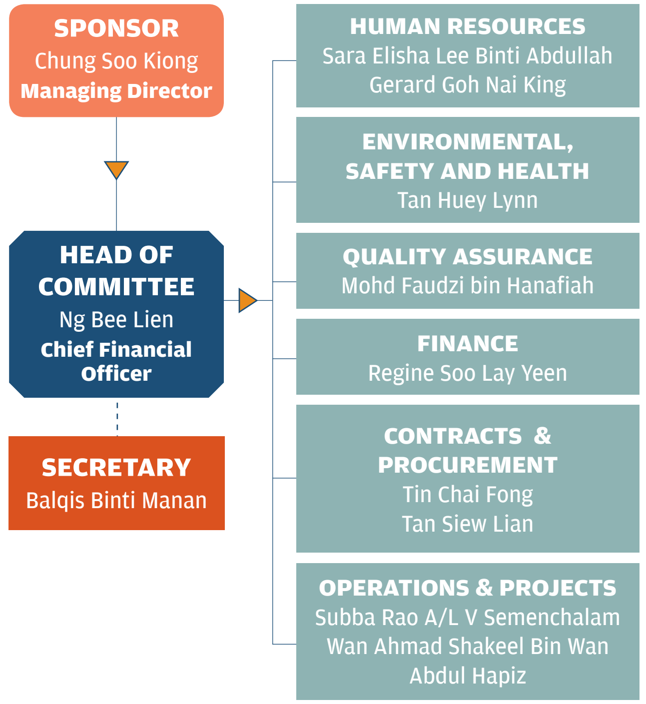
CONTINUING OUR SUSTAINABILITY JOURNEY

We have been strategically pursuing a sustainability agenda for many years. We continue to work proactively towards long-term success by improving operational eco-efficiency and embedding sustainability approaches into our business practices. Our continuous improvement provides a competitive advantage and we deliver awareness and education programmes with our employees, regularly. Our sustainability journey's success is affected by stakeholder engagement. We have continued to seek out stakeholders with the experience and expertise to contribute to our pursuit of greater sustainability. Constructive engagement with other stakeholders is also welcomed.

Health, Safety and Environment	We will manage and utilise resources and operations in a manner that protects the safety and health of our people, neighbours, customers and visitors. Our safety, health and environment responsibilities extend beyond the protection and improvement of our own facilities.
Innovation	Our success requires a continuous stream of breakthrough ideas that lead to improved solutions and services.
Ethics and Integrity	We care how results are achieved, demonstrating honest and ethical behaviour in all activities. Maintaining the highest professional and personal standards along with a well-founded reputation for scrupulous dealing are priceless assets.
Community and Society	A successful business affects the economy of the local community far more than philanthropy. Engaging with key community stakeholders is an important part of sustainable business development.
Our People	In line with our tagline of "Constructing Dreams, Developing Careers" and our core values of Integrity, Humility and Excellence, we strive to create an environment where all individuals are fairly treated while being empowered to contribute to the development of the workforce. We do not tolerate any form of discrimination, harassment or unethical conduct.

SUSTAINABILITY GOVERNANCE

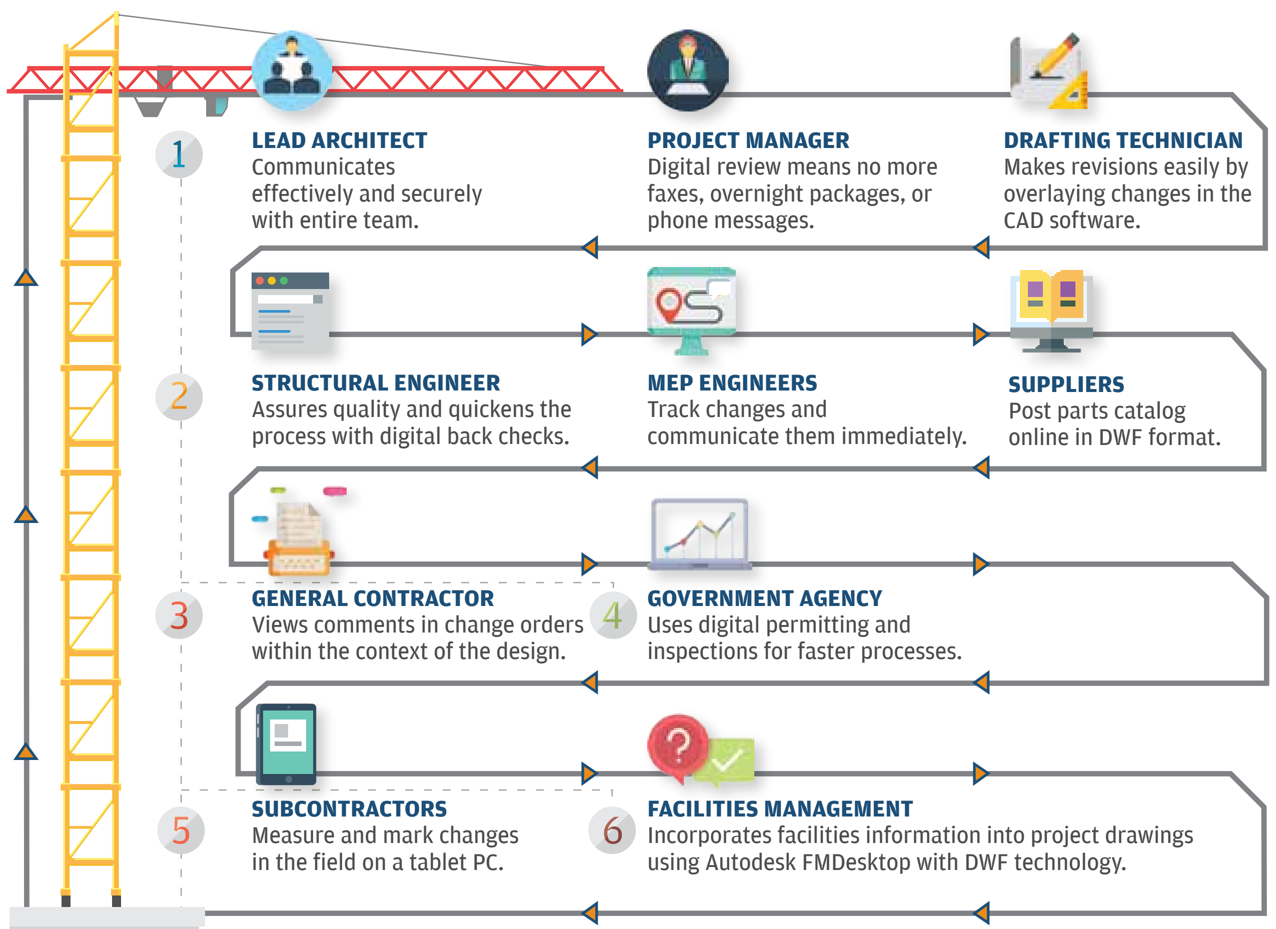
In 2017, we established a formal sustainability committee. Members have been selected that can contribute the most in the areas of sustainability deemed important in the materiality matrix. The committee assists the Board in meeting its oversight responsibilities in relation to the Company's sustainability policies and practices. The duties of the committee include reviewing and making recommendations to the Board on the Company's policy and performance in relation to the environment, health, safety and community. The committee have had five meetings during the year.



STAKEHOLDER ENGAGEMENT

Identifying key stakeholder groups helps us gauge the actual or potential impacts our business has on them and vice versa. We engage with all stakeholder groups regularly through a structured mechanism or predetermined schedules. While senior management is primarily consulted during the preparation of this statement, its contents are aligned with stakeholder interests whenever possible.

Interaction with stakeholders occurs throughout the various stages of projects as part of SunCon's business development process. These interactions cast light on stakeholders' preferences and expectations, which in turn allows sufficient resources to be allocated.



STAKEHOLDER	THEIR EXPECTATION	HOW WE ENGAGE	HOW WE ADDRESS THEIR EXPECTATIONS
Clients	• Proper project management • Project completed in compliance with standards, high quality and on time delivery • Safety and security of the construction sites	• Client Satisfaction Survey • Quality Assessment System in Construction (QLASSIC) • Progress meeting, updates and progress reports	• Customer and consultant satisfaction improved from 74.3% in 2016 to 75.7% in 2017 • Average QLASSIC score for projects assessed in 2017 was 77.2% compared with 73.3% in 2016 and a National average of 72% • Monthly reports are submitted and regular meetings held to manage expectations
Authorities & Regulators	• Compliance with guidelines and regulations	• Regular engagements and invitations for site visits • Townhall meetings	• Regular meetings with Department of Safety and Health (DOSH) and Department of Environment (DOE) through site visits • Parcel F project supported and participated in the Mini Konvensyen COMBI Tapak Bina Peringkat Putrajaya 2017 organised by Jabatan Kesihatan Wilayah Persekutuan Kuala Lumpur & Putrajaya • Third place for the Overall Wilayah COMBI implementation • Achieved a 5-star rating by DOSH for concreting, working at heights and lifting at Parcel F
Shareholders, Investors & Analysts	• Effective communication of business strategies • Timely and transparent reporting • Strong corporate governance • Prudence Risk Management • Market and business performance outlook and strategies	• Proactively engage with the investment community through multiple channels such as: • Statutory Announcements • Annual General Meetings • Corporate Events • Website • One-on-one management meetings • Conferences	• Analyst house that covers SunCon - 2017 : 15 out of which 12 has buy call - 2016 : 13 out of which 10 has buy call • Received the MIRA Award for Best CFO for IR Best Website and Best IPO in 2016 and nominated under 9 categories in 2017
Employees	• Career development and progression • Knowledge and skills enhancement • Fair remuneration • Work-life balance • Safe, healthy and conducive workplace	• Employee engagement surveys • Dialogue and engagement • Subsidised employee trips • Training programmes	• An Employee Engagement Score of 69% in 2017 compared with 59% in 2015 • 2017 : SunCon MD Tour 2017 to Connect, Collaborate and Align at all project sites • Numerous activities organised by SunCon Social Club • On-the-job training is deemed as a more effective strategy for developing our workforce
Suppliers/ Subcontractors & Business Partners	• Safe working environment • Professional and transparent procurement process • Timely payment	• Subcontractors assessment • Suppliers assessment • Regular engagement with suppliers and subcontractors to understand their needs	• 94% of subcontractors were rated at Grade C and above in 2017 • 70% of suppliers scored C and above in 2017
Trade Union & Professional Bodies	• Sharing of best practice and knowledge to improve the construction industry as a whole • Implementation of policies and requirements by relevant agencies or professional bodies	• Dialogue • Meetings • Trade visits	• SunCon was well represented in Master Builders Association of Malaysia (MBAM) • Dialogue session with MBAM and Construction Labour Exchange Center Berhad (CLAB) on workforce challenges, uninformed policy changes and inefficient processes and system • Participated in dialogue session with CIDB, MBAM and other main industry players on enforcing steel frame scaffoldings requirement
General Public	• Responsible Corporate Governance	SunCon website	• IR Website is updated in a timely manner to capture all relevant information and MIRA recognised SunCon as having the best IR website in 2016
Media	• Immediate notification of financial releases and material developments • Timely and transparent communication	Press release and media coverage	• SunCon conducted three exclusive interviews with The Star, Nikkei Markets and The Straits Time Singapore in 2017 • All press release are available on the SunCon website
Community	• Responsible corporate citizen which gives back to the community • Responsible for the livelihood of the surrounding community throughout the construction phase	• Sponsorship and donations • SunCon Hotline	• SunCon has introduced a hotline to gather feedback and comments from the general public but most calls received were enquiries • 30 unemployed graduates were absorbed for 8 months training under Skim Latihan 1Malysia (SLIM) • Guaranteed employment offered to Best Students from Consist College who graduate with a Diploma in Occupational, Safety and Health (OSH)

** Details of our meetings with analysts can be found in the **Investor Relations** section.*
*** Employee engagement is conducted every 2-3 years.*

MATERIAL ASPECTS

Our assessment of material sustainability issues is primarily shaped by the nature of our activities, degree of impacts on the business and stakeholder expectations. As a fully integrated construction company, the nature of our contracts largely defines our legal responsibility for various social and environmental impacts and their mitigation. However, as a responsible business, we consider the environmental and social impact of our activities, striving to propagate them within our sphere of influence.

AN IN-DEPTH APPROACH

Each year, we release a sustainability statement that provides a transparent account of our performance against the social, environmental and economic challenges facing our business, industry and community.

Stakeholders want to gauge our performance across a range of issues with some being more critical to our sustainable business operations than others. Assessing the materiality of issues is a key, early step in each of our sustainability statements.

Balancing Sustainability Issues

Broad disclosure across a wide range of issues

Focused and accessible information on key issues most important to stakeholders

THE METHODOLOGY

Our comprehensive Stakeholder Materiality Survey, conducted during the last quarter of 2016, targeted respondents from all stakeholder groups. The survey was performed by an external consultant to ensure the objectivity and anonymity of the respondents.

Stakeholder Groups Consulted

- 10 Clients
- 0 Non-Governmental Organisations
- 9 Shareholders & Investors
- 2 Business Partners
- 48 Employees
- 49 Suppliers/ Subcontractors
- 11 Trade Union & Professional Bodies
- 4 Analysts
- 2 General Public
- 0 Media

RESPONSES

Areas Rated During the Materiality Survey

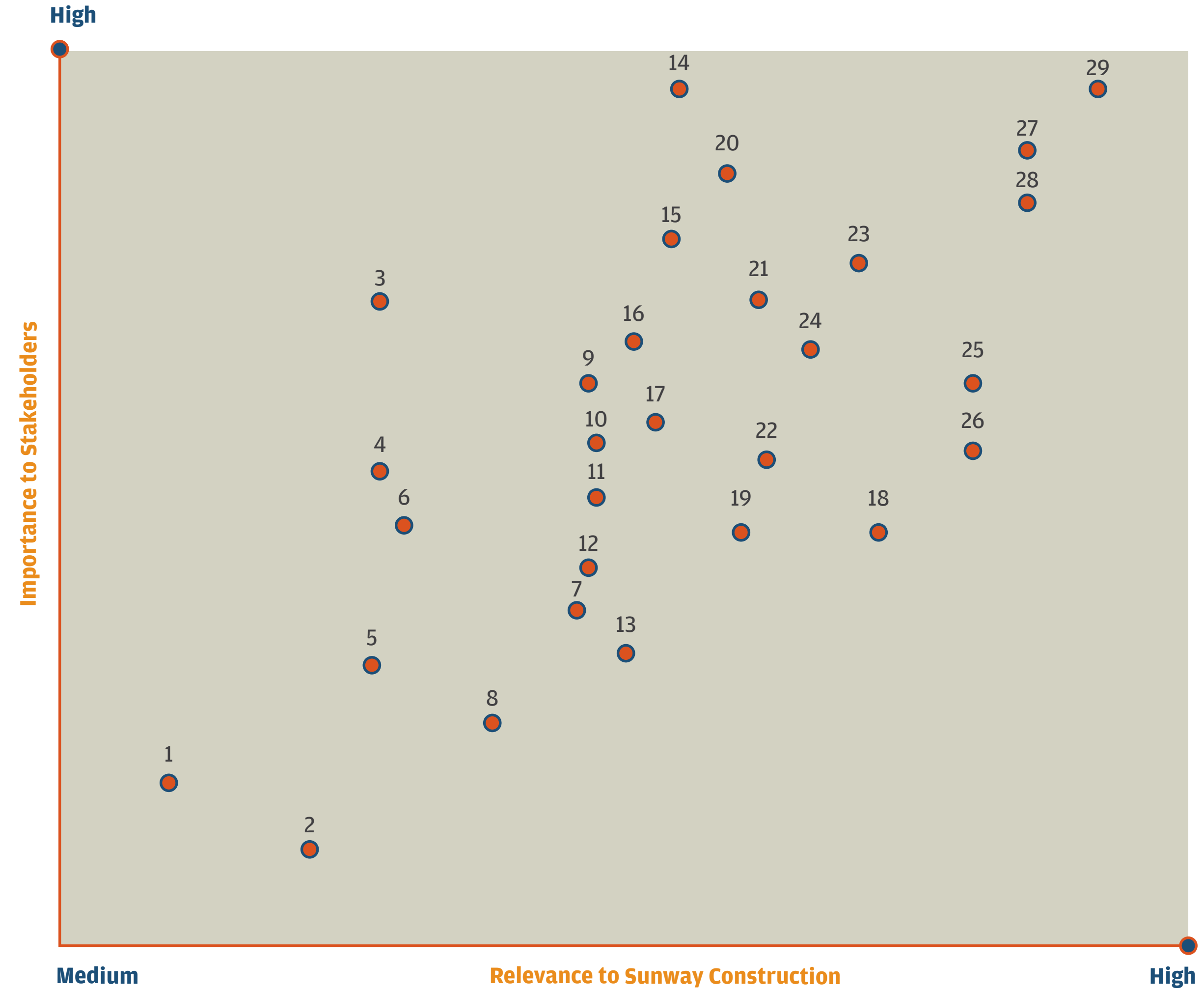
Economic	Economic & business performance; sustainable procurement and supplier assessment; local hiring; building the nation and infrastructure
Environmental	Responsible sourcing; GHG emissions and climate change; energy; water; environmentally-friendly materials; waste
Social: Labour Practices and Decent Work	Occupational Safety and Health; inclusive workplace; training and career development; recruiting and retaining employees; providing relevant skills; employee engagement and satisfaction
Social: Human Rights	Child & compulsory labour; non-discrimination; good employee/employer relations
Social: Society	Community engagement; stakeholder engagement; bribery and corruption; anti-competition; benefiting local communities; employee volunteerism and charities
Social: Product Responsibility	Customer feedback and satisfaction; customer privacy; public safety; quality management

The respondents indicated the level of importance they placed on each criterion on a scale of one (very unimportant) to four (very important). There were more responses from some stakeholder groups than others, skewing the results. A separate average score was calculated for each area within each stakeholder group before obtaining a final score from all stakeholder groups.

A similar survey was completed by 12 members of the Board and senior management, which represent the views of SunCon.

RESULTS

The matrix is presented in the following diagram. The areas in the top right of the matrix are deemed important to SunCon and its stakeholders. These issues have been reported in greater depth in this statement. Our nature of business has remained unchanged since 2016. Senior management reviewed the materiality matrix and considers it relevant.



1	Local hiring	11	Providing relevant skills	21	Customer feedback & satisfaction
2	Employee volunteerism & charities	12	Environmentally-friendly materials	22	Employee engagement & satisfaction
3	Customer privacy	13	Anti-competition	23	Waste
4	Benefiting local communities	14	Economic & business performance	24	Recruiting & retaining employees
5	Community engagement	15	Child & compulsory labour	25	Good employee/employer relations
6	Sustainable procurement & supplier assessment	16	Energy	26	Training & career development
7	Nation Building	17	Non-discrimination	27	Public safety
8	GHG emissions & climate change	18	Stakeholder engagement	28	Occupational safety & health
9	Responsible sourcing	19	Inclusive workplace	29	Quality management
10	Water	20	Bribery & corruption		

SUSTAINABILITY PERFORMANCE

	2017	2016	2015
ENVIRONMENT			
Total Water Use (m^3)	332,279	274,318	237,844
Note: Increase is in tandem with the Group's increased revenue.			
Electricity Consumption (kWh)	1,037,382	1,594,974	1,603,469
Diesel Consumption (Litres)	5,292,948	5,386,869	6,298,241
CO_2 Emissions from Company-Owned Vehicles and Machinery	13,992	14,240	16,650
CO_2 Emissions from Purchased Electricity	720	1,181	1,188
CO_2 Emissions from Air Travel Construction Waste Disposal (MT)	69	102	112
Concrete	36,821	7,984	19,394
Note: Increase in 2017 waste was due to more lower ground slab works.			
Steel	2,510	2,477	4,744
Timber	1,473	517	676
Materials Purchased (MT)			
Steel bar	49,518	37,683	32,540
Cement	12,547	37,153	78,779
Aggregate	208,759	344,863	117,552
Note: Higher purchases in 2016 was due to a roadwork project.			
Sand	102,977	165,561	111,809
Note: Sand & Cement, used predominantly in the architectural trade, reduced in 2017.			
Ready Mixed Concrete	910,841	522,366	928,266
WORKPLACE			
(A) EMPLOYEES			
Total Number of Employees	2,097	2,025	1,997
Executives	42%	40%	42%
Non-Executives	35%	33%	35%
Foreign-Skilled Labours	23%	27%	23%
Permanent Staff	64%	63%	65%
Non-Permanent Staff	36%	37%	35%
Female	16%	15%	16%
Male	84%	85%	84%
Note: Construction is still a male-dominated industry even in developed countries due to long working hours for night casting and a demanding work schedule.			
Age group			
< 30	37%	37%	36%
30 - 40	32%	32%	32%
40 - 50	20%	19%	20%
> 50	11%	12%	12%
Number of Physically-Challenged Employees	2	2	2
Total Number of JPA Graduates Under the Scholarship Talent Attraction & Retention (STAR) Programme by Talentcorp	6	4	2
Percentage of Women In Management	23.38%	22.52%	22.40%

	2017 (CONT'D)	2016 (CONT'D)	2015 (CONT'D)
WORKPLACE (CONT'D)			
(A) EMPLOYEES (CONT'D)			
YEARS IN SERVICE			
Less than 1 year	15%	23%	12%
1 - 3 years	28%	24%	41%
3 - 6 years	37%	39%	33%
6 - 10 years	12%	7%	8%
10 - 15 years	5%	4%	4%
15 years and above	3%	2%	2%
(B) DIVERSITY			
Malay	51%	49%	48%
Chinese	34%	36%	37%
Indian	12%	12%	12%
Others	3%	3%	3%
Note: Race demographic for Malaysia in 2017 are Malays 69%, Chinese 23%, Indians 7% and others 1%.			
(C) EMPLOYEE TURNOVER RATES			
Industry Average	15%	11%	20%
Attrition Rates	13%	13%	15%
By Region			
In Malaysia	(100%) 13%	(92%) 12%	(93%) 14%
Outside Malaysia	-	(8%) 1%	(7%) 1%
By Gender			
Female	(17%) 2%	(17%) 2%	(27%) 4%
Male	(83%) 11%	(83%) 11%	(73%) 11%
By Age Group			
< 30	(46%) 6%	(38%) 5%	(47%) 7%
30 - 40	(31%) 4%	(38%) 5%	(33%) 5%
40 - 50	(15%) 2%	(15%) 2%	(13%) 2%
> 50	(8%) 1%	(8%) 1%	(7%) 1%
Note: Percentages in brackets indicate overall distribution of the attrition rate by age group.			
(D) TOTAL NEW HIRES			
By Gender			
Female	(19%) 3.0%	(9%) 2.3%	(17%) 2.1%
Male	(81%) 12.9%	(91%) 22.4%	(83%) 10.3%
By Age			
< 30	(65%) 10.2%	(57%) 14.1%	(56%) 6.9%
30 - 40	(21%) 3.3%	(29%) 7.1%	(28%) 3.4%
40 - 50	(9%) 1.5%	(12%) 3.0%	(12%) 1.5%
>50	(5%) 0.7%	(2%) 0.6%	(4%) 0.6%
By Region			
In Malaysia	(99%) 15.7%	(100%) 24.6%	(98%) 12.0%
Outside Malaysia	(1%) 0.1%	(0%) 0.1%	(2%) 0.3%
Note: Percentages in brackets indicate overall distribution of the attrition rate by region.			

SUSTAINABILITY PERFORMANCE (CONT'D)

	2017 (CONT'D)	2016 (CONT'D)	2015 (CONT'D)
WORKPLACE (CONT'D)			
(E) COMPARISON OF PAY			
Total Men Basic Salary (RM)	75,379,611	67,054,157	55,368,861
Average Annual Men Basic Salary (RM)	60,264	57,702	43,677
Average Number of Men Paid	1,251	1,162	1,268
Total Women Basic Salary (RM)	20,193,860	17,296,738	14,228,263
Average Annual Women Basic Salary (RM)	62,423	58,765	44,855
Average Number of Women Paid	324	294	317
Ratio of Men to Women Pay Equity	0.97:1	0.98:1	0.97:1
Note: Women are paid slightly more than men on average.			
(F) TRAINING			
Employee Participation In Training	963	1,253	1,163
Average Attendance Per Training Programme	20	15	23
Average Training Budget Per Employee (RM)	805	800	2,029
Average Man Days of Training Per Employee	1.23	2.70	3.60
% of Employees With A Minimum of 3 Man Days of Training (An Employee Development Target Set By Management)	13%	32%	39%
Note: SunCon prioritised on-the-job training in 2017 which explains the decrease in structured class training.			
(G) OCCUPATIONAL SAFETY AND HEALTH			
Worked Man-hours	18,790,437	16,918,924	14,676,640
Fatal Accidents	0	2	2
Lost Time Injury Accidents	4	6	2
Total Recordable Cases	4	8	4
Accident Frequency Rate	0.21	0.47	0.27
GOVERNANCE			
(H) GOVERNANCE LEVEL (BOARD OF DIRECTORS)			
By Gender			
Female	14%	12%	0%
Male	86%	88%	100%
By Age			
30 - 40	14%	13%	14%
40 - 50	0%	13%	14%
> 50	86%	74%	72%
By Ethnicity			
Malay	14%	13%	14%
Chinese	72%	75%	86%
Indian	14%	0%	0%
Others	0%	12%	0%
Note: The majority of directors are aged >50 years as a highly experienced Board is desired which comes naturally with age.			

	TARGET	ACHIEVEMENTS	INVESTMENTS
Economic	** Details of our business operations can be found in the* ***Business Objectives and Strategies*** *section.*	** Details of our business operations can be found in the* ***Business Objectives and Strategies*** *section.*	Stakeholder Engagement, Media and corporate events **RM3.0 million** Shareholder, Investors & Analysts **RM0.5 million**
Environmental	To achieve ZERO compounds and fines from federal and local authorities.	Compound issued due to TSS level of water discharged exceeding standards. Fine was paid.	Cost spent at project sites on environmental-related issues **RM13.0 million**
	To maintain notice received from federal and local authorities on vector issues at 0.25 or below, company-wide.	Notice received on vector issues recorded at 0.042.	
	Segregate construction waste at designated areas by type of waste for 3R and disposal.	All project sites segregate construction waste.	
	To achieve monthly environmental inspection score of 70% and above.	83.6% achieved.	
Safety and Health	ZERO life loss.	ZERO life loss.	Centralised Labour Quarter /Foreign Workers Welfare/ Training **RM13.0 million**
	Monthly inspection score of 75% and above.	Average score of 80.0%.	
	Accident Frequency Rate (AFR) of less than 0.3.	Accident Frequency Rate (AFR) of 0.21.	
	Achieve 3 milestones: 3.9 million, 7 million and 10 million company-wide man-hours without a lost time accident.	Achieved the second milestone as the highest number of man-hours without lost time injury in 2017 was 9,201,930.	
Quality	Contractors, subcontractors and suppliers' adherence to SunCon's quality standards.	94% of subcontractors were rated at Grade C and above in 2017, a 5% improvement from the previous year. 97% of suppliers agree that SunCon's comprehensive ESH Management Systems have enhanced their company's ESH awareness and implementation on the project site.	Project Quality Management **RM1.5 million**
	To meet the following targets for the annual client/consultant satisfaction survey: • A minimum average score of 70%. • A minimum average score of 90% in the "satisfaction of products and services" category.	Achieved an average score of 75.7%. Recorded a satisfaction rate of 96.7%. Achieved a response rate of 99.2%. Achieved an average QLASSIC score of 77.2%.	
Others	Number of employees dismissed due to noncompliance with anti-corruption policy.	Zero cases.	Society / Donation Corporate Social Responsibility / SunCon Social Club **RM1.0 million**
	Total number of fines in relation to corruption.	Zero cases.	
	Total amount of political contributions.	Zero contributions.	
	Anti-corruption training for employees.	All employees are briefed on ethics, corruption and bribery through the Employee Handbook upon joining the Company.	
	Number of projects achieving Green Building Index (GBI) or other industry-relevant green building ratings.	10 GBI-certified projects completed.	

ECONOMIC

Construction is an important sector that contributes greatly to the economic growth of a nation. The economic pillar of sustainability concerns how SunCon impacts the economic conditions of its stakeholders and the economic systems at local, national and global levels.

FINANCIAL ASSISTANCE FROM THE GOVERNMENT

SunCon has been granted pioneer status for the Sunway Concrete Precast Plant in Iskandar, Johor with a longer gestation period and high capital expenditure.

Benefits for Companies with Pioneer Status Certification

100% Income tax exemption of statutory income for **5 years**.

SUSTAINABLE PROCUREMENT

Our sustainable business practices begin during the procurement stage. The optimal utilisation of the critical natural resources principle has been embedded in our materials procurement practice.

E-Invoicing

Supplier e-invoicing, which was introduced in 2016, has saved RM637,000 in processing costs. A total of 101,685 invoices had been submitted electronically since its implementation, which have saved significant amounts of paper.

8 DECENT WORK AND ECONOMIC GROWTH

INTEGRATING SOCIAL AND ENVIRONMENTAL RESPONSIBILITY INTO OUR SUPPLY CHAIN

SunCon recognises the need to integrate social and environmental management into its supply chains. Social issues encompass product and process characteristics that affect the quality of life for a wide range of stakeholders such as customers, direct and indirect employees, and communities. Human-related implications are emphasised; when social performance is combined with environmental and economic performance, the triple-bottom line emerges.

Long-term Damage to Ecosystems

Hazardous Air Emissions

Energy Use

Toxic Waste

Water Pollution

Loss of Biodiversity

Deforestation

Examples of Environmental Impacts from Supply Chains

We communicate our environmental conservation policy and practices through various channels such as the Letter of Award (LOA), regular engagement and training sessions. We reinforce our commitment to social and environmental supply chains to suppliers and subcontractors.

Environmental and Social Requirements for SunCon's Direct Workers, Suppliers, Contractors and Subcontractors

Compensation Packages Must Comply With
The Worker's Compensation (Foreign Workers Compensation Scheme) (Insurance) Order 1996 and/or the Social Security Insurance and/or Employer's Liability Insurance and/or any other insurance with statutory limits as requested by Malaysian laws.
Transportation Must Be Provided To and From The Site
All housed in our Centralised Labour Quarter (CLQ) with transportation provided.
Fair Remuneration Must Be Provided
That at least covers their living wage.
Valid Permits To Work
Must be issued before permanent or temporary workers can work in accordance with Malaysian immigration and Labour laws.
Overtime
SunCon goes to the extent of paying its subcontractors' workers directly.
Workers Must Not Be Exposed To Hazards Or Risks
When carrying out work in addition to being supervised by our safety personnel on site. Our workers undergo a comprehensive safety induction before they start work. They are also required to possess the relevant safety certification such as CIDB Green Card and Safety Passport under MRT projects.
Workers Must Not Degrade The Environment
From potential pollution as far as is practicable and mitigate the potential impacts on the environment.
Persons Committing Environmental Pollution Offences
Or accidents or dangerous occurrences in the sole opinion of the Site Environmental, Safety and Health Committee must be removed from site.
Reduce The Impact of Their Operations
Measured through emissions released, biodiversity impacts, waste disposal, pollution and other environmental issues resulting from their operations.
Share SunCon's Commitment To The Environment
SunCon is committed to using resources efficiently, supporting renewable power and purchasing high-quality carbon offsets. SunCon wants suppliers to conduct business in a similar way. Suppliers must work to reduce their consumption of resources including raw materials, energy and water throughout all aspects of the project.

Buying and Using Block Work for the Environment

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SunCon is now purchasing block works instead of conventional bricks and concrete blocks. Block works are becoming preferred in the construction of residential, hotel, industrial and public buildings due to their natural composition and non-toxic properties. They are made using slurry mix containing cement, sand, lime and aerating agent. It also saves energy and is environmentally friendly. Block works have similar durability as normal concrete or stone, yet with a better workability than wood.

Lightweight	Block works are approximately one-fifth of the density of normal concrete blocks, making them more easily handled.
Impact Resistant	Walls erected using 100mm-thick block works products are classified as "Severe Duty" grade and able to withstand impact loads potentially resulting from rough usage.
Sound Resistant	Scientifically proven to provide better insulation to sound transmitted by air compared with other solid building materials.
Durable	Usage history of more than 50 years protecting building envelopes and remaining durable even under extreme weather conditions.
Eco-Friendly	Reduces at least 30% of environmental waste, 50% of greenhouse radiation and over 60% integrated energy on the surface of brick.
Good Workability	Easily sawn, cut, carved, nailed or drilled using ordinary hand tools.
Thermal Comfort & Energy Saving	Excellent thermal insulation properties result in improved comfort and reduced heating and cooling costs.
Water Resistant	Contains millions of closed microscopic cells which strongly resist moisture.
Fire Resistant	Fire resistant up to four hours for a nominal block works thickness of 100mm.
Cost-Effective	Speed and ease of installation result in cost savings compared to traditional masonry construction.
Dimensional Accuracy	Blocks and panels are manufactured in a factory environment using state-of-art modern machinery resulting in products with tighter dimensional tolerances.

ECONOMIC (CONT'D)

SUSTAINABLE PROCUREMENT (CONT'D)

17 PARTNERSHIPS FOR THE GOALS

SUBCONTRACTOR ASSESSMENT

Our annual subcontractor assessments check if subcontractors possess the necessary skills, knowledge, experience and capability to perform work safely, at the expected quality without jeopardising the health of fellow workers and members of the public.

We also conduct an annual subcontractor satisfaction survey to improve our business relations by understanding their opinions. This survey was conducted during the first quarter of 2017. We achieved a response rate of 76%. In general, our subcontractors are happy working with us and will work again on future projects. We score particularly highly on our comprehensive ESH Management Systems and Quality Assurance. However, we need to work on our processes such as expediting the VO process, simplifying the evaluation procedure and improving communication between site supervisor and quantity surveyor.

In 2017,

94% subcontractors were rated at **Grade C and above.**

5% **improvement** on the previous year.

SUPPLIER ASSESSMENT

A quantitative eSupplier Assessment helps us evaluate suppliers and the data is used to develop a best in class list. Suppliers are rated on their ability to meet the following criteria on a scale of one to five.

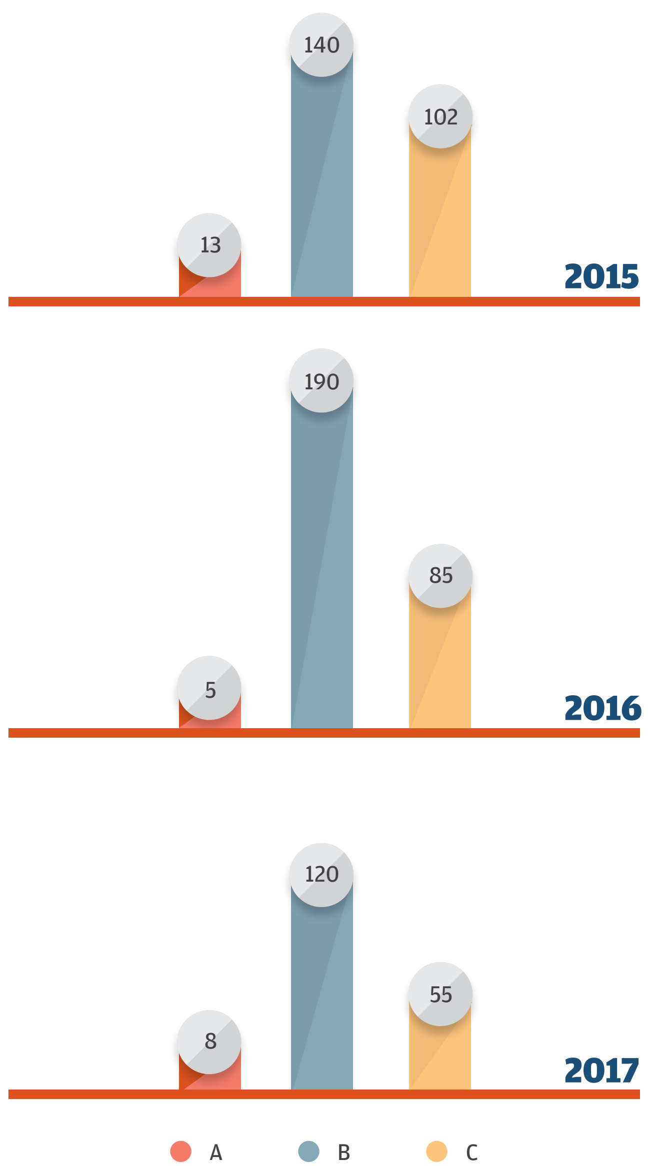
Product Quality	Performance, written complaints, response time and wastage.
Cost	Pricing, fixed price with provisional quantity and terms of payment.
Delivery	Delivery performance, delivery quantity, interval time of delivery, urgent requests and written complaints.
Service Quality	Problem-solving, value-added service, quality of service and personnel.
Safety and Health	Personal protective equipment, safety precautions and additional protection.

Direct workers, suppliers, contractors or subcontractors violating our environmental and social requirements may have their positions or status terminated.

97% of suppliers agree that SunCon's comprehensive **ESH management systems** have enhanced their company's ESH awareness and implementation on the projects.

Supplier Assessment Scores

The percentage of suppliers assessing us with a **C grading and better** has increased from **60% in 2015** to **70% in 2016 and 2017.**



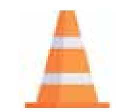
OUR CONTRIBUTIONS TO THE INDUSTRY

17 PARTNERSHIPS FOR THE GOALS

Master Builders Association Malaysia (MBAM) is the oldest organisation representing the Malaysian construction industry and service sector. MBAM helps develop and expand the industry by improving techniques, procedures and methods.

SunCon has been actively involved in MBAM over the past few years as council members. Having representatives on the MBAM Committee demonstrates our dedication to promoting and developing the construction industry in Malaysia.

Issues Discussed by the MBAM Committee



Managing Safety Aspects On Construction Sites

Managing Environmental Impacts In The Supply Chain

Protecting the Human Rights of Local and Foreign Workers

SunCon's Past and Present Representations in Industry Organisations

Mr Chung Soo Kiong	Managing Director, Sunway Construction Group Berhad Vice President, Publication and Outreach Committee Chairman, MBAM
Datuk Kwan Foh Kwai	Advisor, Sunway Construction Group Berhad Honorary Advisor, MBAM
Mr Thomas Samuel	Executive Director, Sunway Geotechnics (M) Sdn Bhd Publication and Outreach Committee Deputy Chairman, MBAM
Mr Tan Kim Yoke	Senior General Manager - Commercial/Business Development, Sunway Construction Sdn Bhd International Affairs Committee Member, MBAM
Mr Steven Shee	General Manager - Legal, Sunway Construction Sdn Bhd Contracts and Practices Committee - Deputy Chairman I, MBAM Information and Communication Technology Committee Member, MBAM
Major (R) Leong Yee Keong	Senior General Manager - Environmental, Safety and Health, Sunway Construction Sdn Bhd Safety and Health Committee Member, MBAM Technical Committee Member of CIDB's Safety and Health Assessment System in Construction (SHASSIC)

MEMBERSHIPS IN ASSOCIATIONS

Construction Industry Development Board (CIDB) was established under the Construction Industry Development Board Act (Act 520).

CIDB promotes and stimulates the development, improvement and expansion of the construction industry. Construction companies are classified according to their technical and financial abilities.

SUNCON

- **CIDB Grade '7' Contractor (Highest Grade Possible For Unlimited Value of Tender)**
- **CIDB-Registered For Procuring Government Works**
- **CIDB-Registered As An International Contractor**

SUNWAY PRECAST INDUSTRIES

- **Licenced to Manufacture Precast Concrete in Senai and Iskandar, Johor**

SunCon is a Grade 7 contractor, which is the highest possible classification. This allows the Group to tender for contracts of unlimited value, which is important, particularly when vying for government contracts.

SunCon can leverage on the combined resources of the entire Sunway Group including:
- Accessing the invaluable experience and expertise of the Group's management team.
- Its financial strength.
- Reliable sources of materials and services from companies within the Group.

This synergy strengthens SunCon's capabilities and provides an advantage in terms of competitive pricing, assured quality and shorter project completion periods.

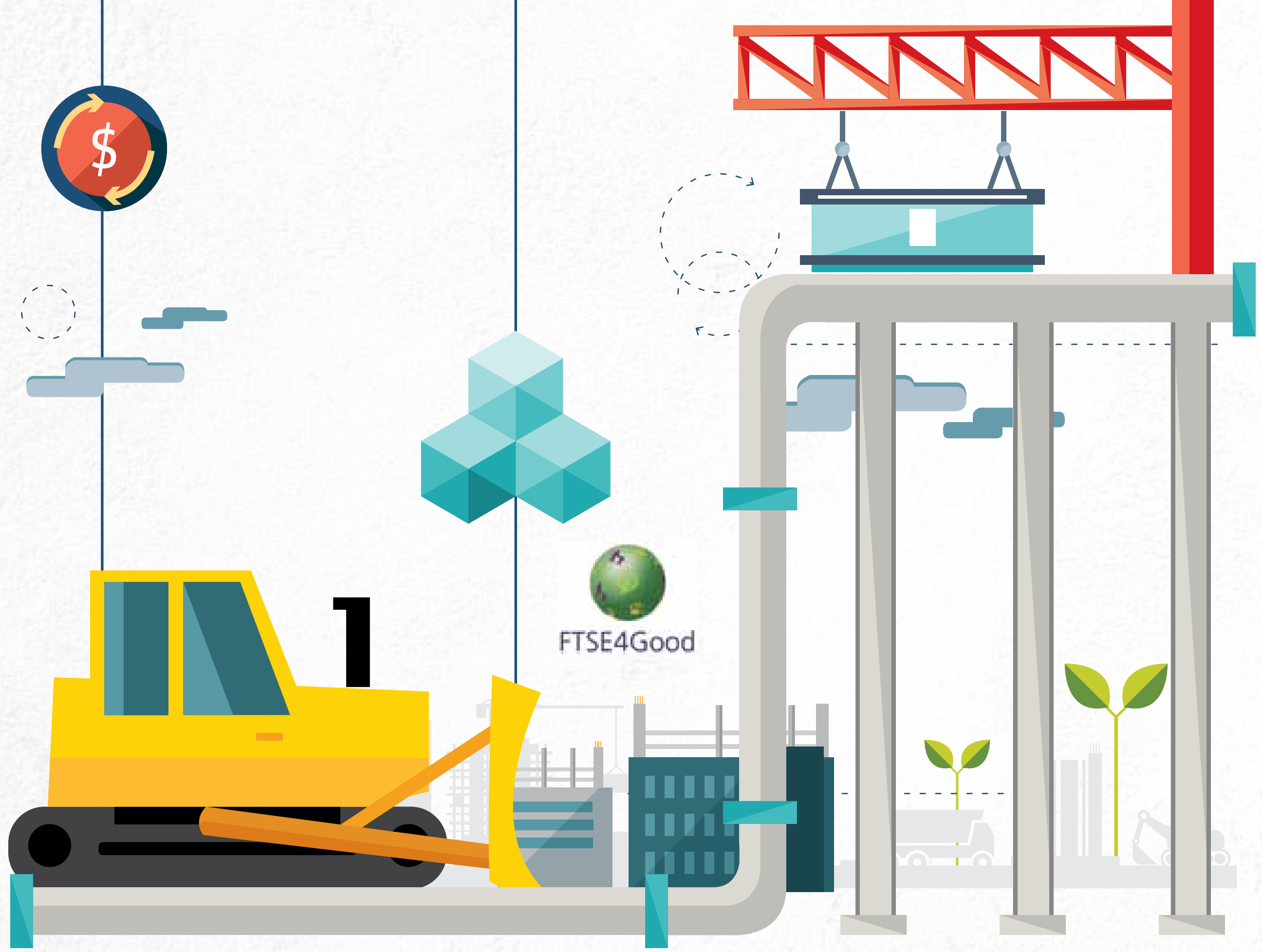
ECONOMIC
WHAT TO EXPECT IN 2018

1 Continued inclusion in the **FTSE4GOOD INDEX SERIES**.

2 **SUPPLY CHAIN**
To assist our loyal subcontractors and suppliers in getting the ISO accreditation.

3 **VDC**
To fully utilise BIM in all our projects.

4 To promote the utilisation of **PRECAST PRODUCTS** for our inhouse projects.



ENVIRONMENTAL

Environmental excellence is an integral part of our business operations. Applying initiatives that mitigate our environmental impact and increase our alternative energy capacity is one way of achieving this.

Constructing buildings and other infrastructure significantly affects the environment. Direct impacts include land use, materials and energy, which produce greenhouse gas emissions and other wastes.

Construction also negatively affects flora and fauna to some extent. However, we have set key targets to prevent environmental pollution, manage construction waste and conserve resources. A systematic environmental aspects-impacts evaluation combined with implementing operational controls and training help minimise this irreversible environmental damage.

Environmental Highlights

100% of project worksites conduct environmental monitoring

78% cost saving achieved through reuse initiatives

64% of our machines are less than 5 years old

100% of our sites are ISO 14001 certified

All construction raw materials are sourced locally

8 Green Buildings completed and certified and 4 ongoing

Achieved average monthly environmental inspection score of **83.6%**

Our Environmental Management System (EMS) helps us comply with ISO 14001 and other stipulated legal requirements.

We have also adopted essential best practices to control and prevent environmental pollution which comprises water pollution control, air and noise pollution control as well as waste management.

Potential Environmental Impacts From Our Operations

- Water Pollution
- Depletion Of Resources
- Land Contamination
- Siltation & Sedimentation
- Air Pollution
- Noise Pollution
- Contaminated Materials And Wastes
- Global Warming/ Greenhouse Gas Effects
- Removal of Flora And Fauna

Environmental Objectives at Project Sites

PREVENT	MANAGE	IMPROVE
Environmental pollution at project sites	Construction waste at project sites including segregating it by type for 3R and disposal at designated areas	Awareness of good environmental practices at project sites

ENVIRONMENTALLY-FRIENDLY OPERATIONS
MACHINE RENEWAL AND REVITALISING PROGRAMMES

64% of our machines are **5 years old or less.**

SunCon owns a fleet of machines used in construction. Our Machine Renewal Programme has been established to evaluate the repair and maintenance costs of this machinery and decommission any that are not cost-effective. This promotes productivity and minimises adverse effects on the environment. 26 machines underwent this programme in 2017 and an additional 31 machines were purchased.

ENVIRONMENTAL (CONT'D)

2017

SunCon Machinery Decommissioned		Newly-Purchased Machinery	
1	• Crawler Crane • Tower Crane • Trailer • Forklift	1	• Mobile Pump
		2	• Skylift • Tower Cranes
2	• Concrete Pumps	3	• Hydraulic Excavators
3	• Placing Booms • Motor Graders • Dump Trucks	5	• Passenger Hoists
		9	• Rough Terrain Crane
7	• Boring Rigs	11	• Boring Rigs

Our Revitalisation Programme rebuilds or replaces the engine, main pump, control valve and wire harness of a machine. This preventive action is taken each time machines have worked for 10,000 hours to keep them working optimally and avoid major breakdowns. Five boring machines underwent this programme in 2017.

USE OF MORE ENVIRONMENTALLY-FRIENDLY DIESEL

Euro5 Diesel is a technologically-advanced fuel with zero emissions for a sustainable cleaner environment. Euro5 Diesel costs RM0.10 per litre more than regular diesel. However, in the long run, it is better for the environment and maintenance of vehicles.

Environmental Benefits of Euro5 Diesel

Improved engine performance for acceleration from cleaner fuel injectors	Reduced ignition delay enhancing cold start performance for a complete combustion that delivers maximum power
Better fuel economy	Increased protection against engine corrosion

Tan Sri Dr Jeffrey Cheah AO advised all Sunway Petrol Card holders, who drive diesel cars, and all Sunway diesel vehicles to use Euro5 Diesel with immediate effect. This instruction is in line with Sunway's commitment to the UN Sustainable Development Goals.

PRECAST RC STRUCTURES

SunCon's Building Information Modelling (BIM) adoption has extended to Sunway Concrete Products fabricating precast RC structures. Fabricating precast concrete cladding offsite offers many efficiencies and advantages over traditional methods, which benefit the environment.

Reduced time	Panels are manufactured while the site is being prepared, which can reduce project construction times and impact on the local community by over 50%.
Efficient, innovative and flexible	Panels benefit from manufacturing efficiencies, innovations and design flexibility as much of the work is performed in the factory.
Safe, fewer defects and less wastage	Off-site manufacturing allows work to be carried out in a controlled, comfortable and safe environment where safety requirements are met and policed more easily. Working in this environment improves quality, which reduces defects and wastage.
Safer storage and reduced pollution	Materials can be stored in safer conditions in a factory than on site, which reduces the risks of pollution significantly.
90% less waste	As panels are delivered without packaging and there are no site offcuts, off-site construction generates up to 90% less waste. Any produced waste is easier to segregate for recycling and collection. *
Reduce crane time and energy	With large panels, crane time and the number of lifts are optimised, which reduces energy consumption.
Reduce water consumption	Off-site manufacturing uses less water than on-site.
Fewer deliveries	Generally, off-site manufacturing leads to a reduction in site deliveries compared with traditional construction methods.
Easy process	Panels can be designed to be manufactured, transported and installed easily.
Fewer emissions and traffic disruptions	Site deliveries can be coordinated to minimise emissions and traffic disruptions.
Recyclable	All panels are 100% recyclable at their end of life.

** **Source:** WRAP – Waste & Resource Action Programme*

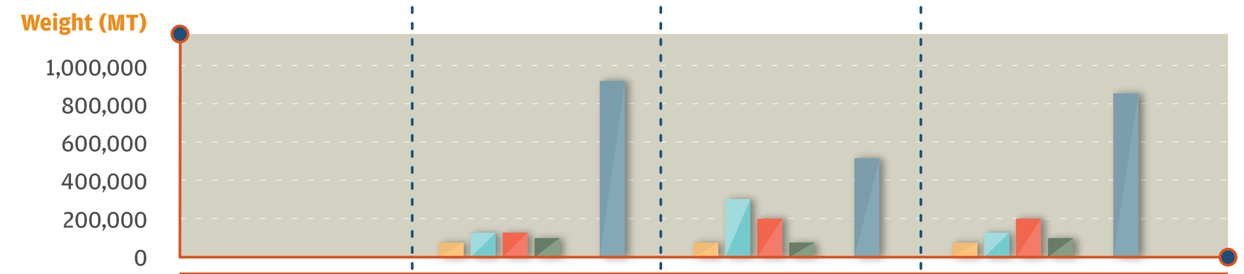
Did you know?
The Sunway M3 project in Iskandar, which comprises 88 retail units, was constructed with almost **100%** precast components.

MATERIALS MANAGEMENT

SunCon uses large amounts of sand, aggregate and cement in construction. The responsible use of resources is vital and we monitor materials wastage across all project sites as a quality objective. The tabulated results are presented during management review meetings.

Generally, our principal raw materials are widely available and sourced from local suppliers on a project or purchase order basis.

Raw Materials Used in Malaysia and Singapore



	2015	2016	2017
Steel Bar	32,540	37,683	49,518
Aggregate	117,552	344,863	208,759
Sand	111,809	165,561	102,977
Cement	78,779	37,153	12,547
Timber	676	517	1,473
Concrete	928,266	522,366	910,841

Notes:
i. Civil and building roadworks were completed in 2016, leading to a significant reduction in the consumption of aggregate and sand in 2017.
ii. The majority of building superstructure works were completed in 2016, which resulted in a 66% reduction of cement used in 2017.
iii. The consumption of timber increased by 185% in 2017 due to the MRT project.
iv. The consumption of concrete increased by 74% in 2017 due to the Parcel F project and KLCC's big pour.
v. The concrete used in 2015 and 2016 has been restated due to improved data monitoring process.

TIMBER MANAGEMENT

Timber has been used as formwork in the construction industry for decades due to being lightweight, easy to handle and cost-efficient. Timber girders used in SunCon's projects are lightweight, yet have a high load-bearing capacity and are compatible with prefabricated wall formworks or slab formworks.

Prefabricated formworks reduce the risk of missing and damaging formwork components during construction.

Our centralised warehouse storage system ensures formwork materials are properly kept before being delivered to the project site. Our sheltered warehouse keeps timber dry to prolong its lifespan. Damaged timber girders returned from project sites are inspected and salvaged by being cut into standard lengths before being recycled for the next project.

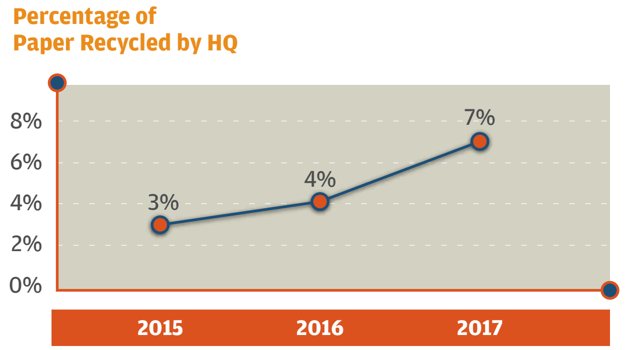
We work with our team of design engineers from the design stage to maximise the use of systematic formwork instead of conventional formwork. We also prioritise the use of in-house system formwork to reduce the idling of materials in the warehouse.

SunCon also introduced a more modular formwork which requires less timber and a shorter assembly time.

ENVIRONMENTAL (CONT'D)

PAPER MANAGEMENT

SunCon minimises its paper usage and waste paper is recycled wherever possible. However, the majority of the paper is sent externally when tendering for projects.



WASTE MANAGEMENT

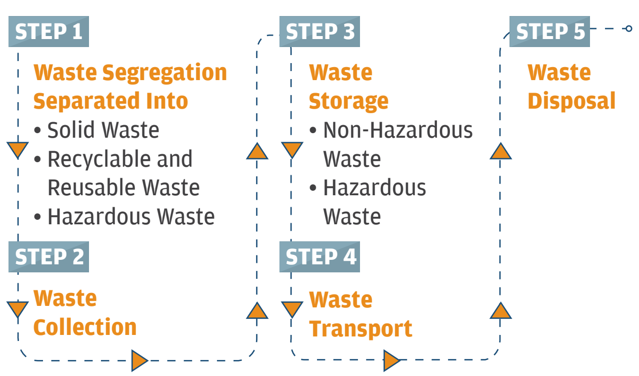
The amount of construction waste is directly proportionate to the number of buildings and infrastructure construction managed: the more work we perform, the more waste is generated.

SunCon recognises that:
- Waste generation is directly linked to consumption and business operations.
- Waste in landfills represents a substantial loss of materials.
- The impact on the environment arises from the whole supply chain process especially in terms of the cradle to grave concept.

We minimise waste at all worksites by managing it onsite as efficiently as possible. A systematic waste management plan maximises waste segregation and encourages its use as a resource. We monitor and report the waste generated on each project and the amount diverted from landfill through recycling and recovery.

Each of our sites has a waste champion. Our environmental managers visit sites regularly to audit operations and ensure procedures that minimise the environmental impact of our operations.

SunCon's Waste Management Process



Our Objectives: Maximum Wastage Allowed by Work Type
Project accountants audit materials wastage at the project sites to ensure adherence to the QESH objective.

	ALLOWABLE WASTAGE (%)	ACTUAL WASTAGE (%)
Ready Mixed Concrete		
Piling Works for Foundation	25%	24%
Basement works for Foundation	15%	27% *
Building Works	5%	9% *
Civil Works	8%	5%
Steel Bar		
Piling Works	10%	6%
Building Works	8%	11% *
Civil Works	8%	4%
Bricks		
Building Works	7%	7%
Tiles		
Building Works	8%	N/A**

** The actual wastage is higher than the allowable wastage due to changes in construction design. It takes time for the design changes to be incorporated into the built drawing as there is a lengthy approval process. The built drawing is used to tabulate the materials required on site. The actual materials used at the immediate period are greater than what is required, which is eventually normalised as the project progresses.*

*** There were no tiles wastage records in 2017. All jobs were outsourced to subcontractors, so the risk was borne by them.*

Reuse of Wooden Pallets As Demarcation Tools

MATERIALS MANAGEMENT (CONT'D)

WASTE MANAGEMENT

3R — NOW, TODAY AND FUTURE

Waste disposal is a major issue for the government and community. The Reduce, Reuse and Recycle (3Rs) slogan reminds all consumers to minimise the burden that their waste creates.

SunCon has inculcated good 3R habits in its working culture. Waste is either reduced and reused or recycled into goods.

Our 3R Model

Recycling bins are placed near the pantry area of our main office. Stakeholders are also invited to contribute to our recycling efforts through this 3R campaign. 3R efforts at our head office include recycling bins for paper, plastic and recyclable waste.

REUSE INITIATIVES

1. **Steel plates/timber waste repurposed as bored pile cage stoppers, cement mixing containers and signage.**
2. **Concrete used as crusher run, an environmentally-friendly and cost-effective alternative for driveway construction.**
3. **New steel toe boards replaced by plastic toe boards made from damaged plastech formwork, which are more environmentally-friendly and can reduce costs by up to 78%.**

Scheduled Wastes Disposed Off in 2017

WASTE TYPE	SCHEDULED WASTE CODE	AMOUNT (KG) 2016	AMOUNT (KG) 2017
Spent Lubricating Oil	SW 305	796	796
Spent mineral oil – water emulsion	SW 307	-	70
Oil-water mixture such as ballast water	SW 309		50
Waste Oil or Oily Sludge	SW 311	3,784	1,361
Contaminated soil, debris or matter resulting from cleaning-up of a spill of chemical, mineral oil or scheduled wastes	SW 408*	1,996	2,194
Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	SW 409*	356	542
Rags, plastics, papers or filters contaminated with scheduled wastes	SW 410	263	147
TOTAL		**7,194.7**	**4,518.72**

** The increased disposal of SW408 and SW409 is primarily due to improved awareness of scheduled waste management. Operational demands at project sites also contribute to the increased disposal of SW409.*

WATER MANAGEMENT

Water is a key aspect of almost any construction project. SunCon reduces its water footprint by implementing best practices to ensure the proper management of potable water onsite. We concentrate our efforts on installing high-efficiency low-flow water fixtures to reduce water usage and minimise water discharge. We also reach out to our employees, contractors and their workers to emphasise the importance of reducing water consumption.

Water-Saving Initiatives

KLCC
Rain water accumulated on the ground level is channelled to a collection tank at the sub-structure level for use in skim coating works.

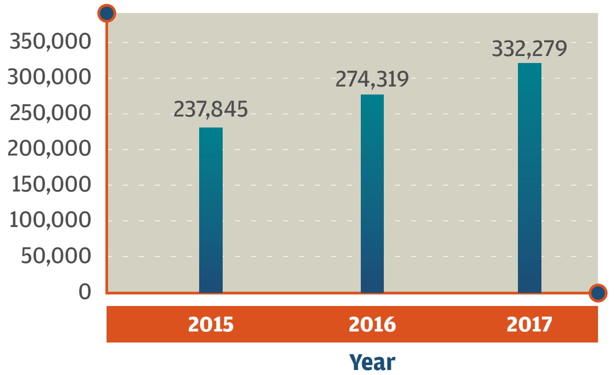
Water pumped from the wells is used to wash tyres and reduce the height of the water table.

PARCEL F
Water is pumped from Putrajaya Lake for dust suppression which reduces carbon emissions as lake water does not require purification or present problems from leaking or being pumped long distances. Project sites are increasingly reusing and recycling water for wash troughs.

MRT V201
Water is pumped from Putrajaya Lake.

ENVIRONMENTAL (CONT'D)

Water Consumption (m^3)



Water consumption for 2015 and 2016 has been restated due to improved data monitoring process.

GREEN CONSTRUCTION = SMART CONSTRUCTION

Since 1981, SunCon has dedicated itself to building smart and remaining at the cutting edge of the construction industry. We have kept abreast with construction techniques and materials as they have evolved. Today, we build green because it is building smart.

A green building reduces or eliminates negative impacts in its design, construction or operation. Green buildings positively affect our climate and natural environment, preserving precious natural resources and improving our quality of life.

How Our Properly-implemented Green Initiatives Pay Off

1 **Environmental Impact And Sustainable ROI**

2 **Direct Financial ROI**

3 **A More Livable Facility**

4 **A Higher Property Value**

Our commitment to green building addresses all issues including biodiversity, GHG emissions, energy management, resource use, pollution, waste management and water management. Table below presents the Green Building Index (GBI) rating of our completed and ongoing Green Building projects.

Completed Projects

PROJECT TITLE	RATING
PZ10, Everly Hotel & Office	GBI Certified
Sunway Pinnacle Tower	GBI Certified & Green Mark Gold
Sunway Pyramid Phase 3	GBI Certified & Green Mark Gold
CP4 Office Tower	Green RE Certified
Afiniti Johor - CIMB Leadership Academy	GBI Certified
Afiniti Johor - Somerset Medini	GBI Certified
Afiniti Johor - Wellness Centre	GBI Certified
Sunway Southern Region Office	GBI Certified

Ongoing Projects

PROJECT TITLE	RATING
Parcel F	GBI Gold
ISKL	GBI Platinum
KLCC Package 2	GBI Gold & LEED Platinum
LRT 3 Stations	GBI Silver

BIODIVERSITY AND CONSERVATION

Biodiversity refers to the variety and variability of life on Earth. SunCon is committed to protecting biodiversity in the areas in which it operates.

SunCon's Initiatives That Protect Biodiversity

Analyse the potential impact of our projects prior to commencing work

Conduct biodiversity assessments at each phase of a project before developing site construction plans that minimise our impact

Meet permit conditions regarding biodiversity management

Develop mitigation measures/ offsets if risks to biodiversity are identified

Obtain all necessary environmental regulatory approvals and consent before work commences

All clearing activities performed in a manner that minimises habitat loss and/or degradation

Implement offset or relocation programme if protected flora or fauna is located in clearance zone and disturbance is unavoidable

We are committed to conserving and not developing on river buffer zones at our Sunway Southern Region Projects including:
- The natural mangrove areas within at least 50 metres of the boundary of the project areas; and
- The Straits of Johor and Pendas River.

Did you know?
Categories being assessed for **GBI certification** include:
- Energy efficiency
- Indoor environmental quality
- Sustainable site and management
- Materials and resources
- Water efficiency
- Innovation

Sunway is examining the feasibility of a solar renewable energy drive. We aim to install a solar grid by 2020, by which time the energy-conversion technology should be sufficiently high and the total life-cycle costs will become more viable.

CLIMATE CHANGE AND OUR CARBON FOOTPRINT

We are working to reduce our emissions through several methods such as maintaining a temperature of between 23 and 25 degrees Celsius at Menara Sunway. We also adopt green features, implement technical and operational measures to improve fuel efficiency and purchase energy-efficient equipment.

Our emissions calculations conform to the internationally recognised GHG Protocol established by the World Business Council for Sustainable Development (WBCSD) and World Research Institute (WRI). Emissions accounting is based on the GHG Protocol classification of direct and indirect emissions.

SCOPE	CATEGORY	INDICATORS MEASURED	EMISSIONS SOURCE
1	Direct GHG Emissions	Company-owned vehicles and machinery	Direct GHG emissions are emissions from sources that are owned or controlled by SunCon
2	Indirect GHG Emissions	Electricity	Indirect GHG emissions are emissions that are a consequence of SunCon's activities
3	Other Indirect GHG Emissions	Air travel	Other indirect emissions cover transport-related activities that are not owned by SunCon

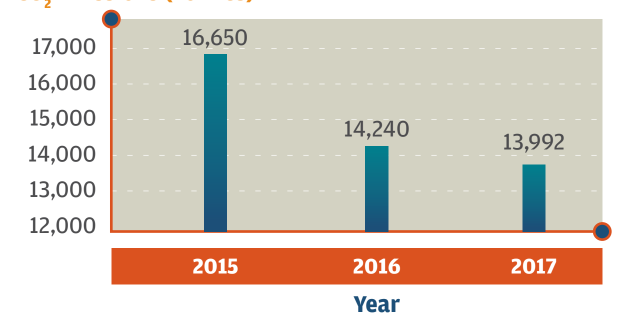
SCOPE 1

Fuel purchases made for Sunway Construction, Sunway Geotechnics Sdn Bhd and Sunway Southern Region are monitored and recorded to calculate GHG emissions from company-owned vehicles and machinery.

Significant amounts of diesel are required to run SunCon's construction machinery such as cranes, backhoes and piling equipment. CO_2 emissions from the consumption of fuel were derived from the emission factor published by the IPCC Guidelines for National Greenhouse Gas Inventories.

CO_2 Emissions From Company-Owned Vehicles and Machines

CO_2 Emissions (Tonnes)

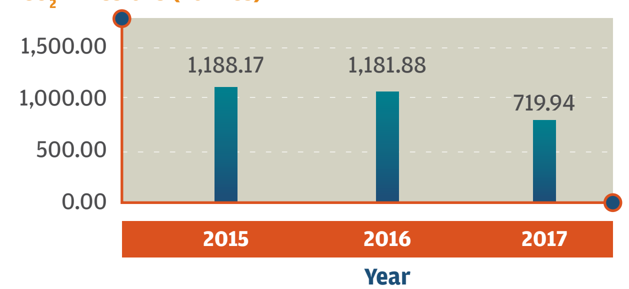


SCOPE 2

Scope 2 emissions are in the form of purchased electricity. The CO_2 emissions from the use of electricity were derived using the emission factor published by the Malaysian Green Technology Corporation for the Peninsular grid.

CO_2 Emissions From Purchased Electricity

CO_2 Emissions (Tonnes)

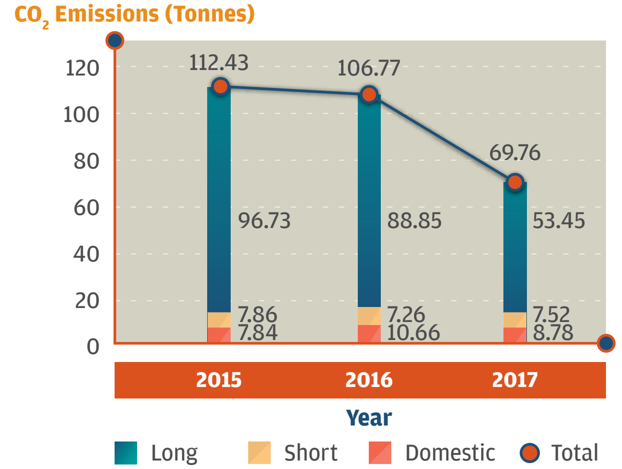


SCOPE 3

Air travel GHG emissions were calculated point to point including the number of employees on board and the distance travelled. Air travel data was extracted from a centralised booking system used for all SunCon flights. The GHG Protocol tool for mobile combustion (version 2.6) by the WRI was used to calculate the CO_2 emissions from air travel.

CO_2 Emissions From Air Travel

CO_2 Emissions (Tonnes)



Diesel and electricity consumption for 2015 and 2016 were restated due to improved data monitoring processes. This have effected CO_2 emissions for these two years.

ENVIRONMENTAL (CONT'D)

ENVIRONMENTAL MONITORING

POLLUTION CONTROL

Construction sites make a significant contribution to environmental degradation and SunCon minimises the environmental damage it causes.

Pollution Control to Avoid Environmental Degradation

Installing
Temporary protection for slopes and stockpiles to control soil erosion and any turbid surface runoff when it rains.

Constructing
Silt fences and silt ponds to avoid sediments being discharged into natural water bodies.

Undertaking
Air, water quality and noise monitoring, regularly.

Providing
Hoardings and noise curtains to lower construction site noise.

Scheduling
Dust suppression with a water bowser to reduce airborne dust at construction sites.

Washing
Trucks' wheels at the exit to prevent mud, dust and dirt from being spread on public roads.

Silt Fence Installed As A Sediment and Erosion Control Measure

AIR MONITORING

SunCon monitors the air quality at various stations surrounding its project sites. Total suspended particulates (TSP) are taken on a bi-weekly, monthly or quarterly basis depending on the requirement. TSP must not exceed the Department of Environment (DOE) limit of 260 μg/m³. The readings across all sites ranged from 13.8 to 250 μg/m³. All were within the DOE limit.

SunCon also monitors its Nitrogen Oxide (NOx) and Sulphur Oxide (SOx) although very few are produced during construction. These gases are highly noxious and are very harmful to the respiratory systems of humans and other animals.

NOx (μg/m³)

PROJECT	BASELINE	2016		2017	
		MIN	MAX	MIN	MAX
MRT V201	<1*	<1	4	<1	12
MRT V205	<1	-	-	<1	22
KLCC P1	<5	<5	<5	<5	14
KLCC P2	<5	<5	<5	<5	<5
SMC	-	-	-	<5	<5

** NOx was monitored at 11 stations: the baseline at nine stations was <1, one was 3.3 and one was 4.9.*

SOx (μg/m³)

PROJECT	BASELINE	2016		2017	
		MIN	MAX	MIN	MAX
MRT V201	<0.5	<1	4	<1	12
KLCC P1	<5	<5	<5	<5	<5
KLCC P2	<5	<5	<5	<5	<5
SVMC	N/A	N/A	N/A	<5	<5

In Situ Total Suspended Solids and Water Turbidity Testing

VOLATILE ORGANIC COMPOUNDS (VOCS)

Breathing in low levels of VOCs for long periods of time may increase some people's risk of health problems. SunCon aims to minimise stakeholders' exposure to products and materials that contain VOCs. It is normal practice to use low-VOC paints at all project sites. Where low-VOC paints are not feasible, paints containing VOCs have to be used such as to paint iron bars.

WATER MONITORING

We take monthly readings of the total suspended solids at each site at various monitoring stations to comply with the Environmental Assessment Plan. Total suspended solids must remain below 100 mg/l to be within DOE compliance limits.

Total Suspended Solids (mg/l)

PROJECT	BASELINE	MIN	MAX	AVERAGE
ER	88	17	49	37
MRT V201 *	11	N/D	184	21
MRT V205 *	19	<2	2,760	142
CP 3	N/A	<2	25	10
M3 *	117	14	174	42
Big Box	48	3	304	51
KLCC P1	N/A	<2	49	13
KLCC P2	N/A	4	48	19
Parcel F	N/A	N/D	575	27
SMC 4	N/A	10	123	56
SVMC	N/A	24	48	40
ISKL	N/A	8	174	62

** Average baseline reported:*
N/D = Not detected, N/A = Not available

Notes:
i. Water discharge from neighbouring project close to our monitoring station at MRT V205.
ii. Erosion at gabion wall caused water to be discharged without filtration at Parcel F, Putrajaya.
iii. Design change resulted in initial silt trap being unable to cope with the amount of silt water discharged from the project site at Big Box.
iv. Heavy rainfall at upstream at MRT V201, M3 and ISKL.
v. No check dam in place at SMC 4.

Immediate actions was taken to address the high readings at all project sites. Discussions were held with representatives from neighbouring project at MRT V205 to prevent recurrence. The damaged gabion wall was also repaired at Parcel F and a check dam was installed at SMC 4. Silt traps and check dam, which are measures to control erosion and sedimentation, will be maintained more frequently to ensure the limits are not exceeded.

In 2017, SunCon pleaded guilty to DOE Malaysia charges that TSS exceeded the standards in 2014. SunCon has taken measures to ensure all discharges from project work sites comply with standards through proper soil erosion and sediment management and control.

NOISE MONITORING

Noise is unavoidable in construction sites, especially in areas that were quiet beforehand. SunCon minimises this nuisance for neighbours by installing noise barriers at receptive areas.

Real-time noise levels were taken in the day and night at several stations at each of our construction sites.

Weekly or quarterly readings are submitted to the DOE as required by the Environmental Assessment Plan. Both the daytime and night-time noise levels were not significantly higher than the baseline at any project sites.

PROJECT	NOISE MONITORING (DAY)		NOISE MONITORING (NIGHT)	
	GENERAL LIMIT : 65 DB(A)		GENERAL LIMIT: 55 DB(A)	
	BASELINE	AVERAGE	BASELINE	AVERAGE
ER	58	59	44	48
MRT V201 *	66	66	50	60
MRT V205	59	63	58	59
CP 3 *	70	64	65	56
M3	60	55	50	50
Big Box	64	63	53	55
KLCC P1 *	76	65	75	62
KLCC P2 *	78	68	74	63
Parcel F *	61	63	50	55
SMC 4 *	65	64	59	57
SVMC	84	77	-	-
ISKL	-	65	-	56

** Average baselines reported*

Noise Barrier Installed to Minimise Nuisance Caused by Our Activities

ENVIRONMENTAL
WHAT TO EXPECT IN 2018

1

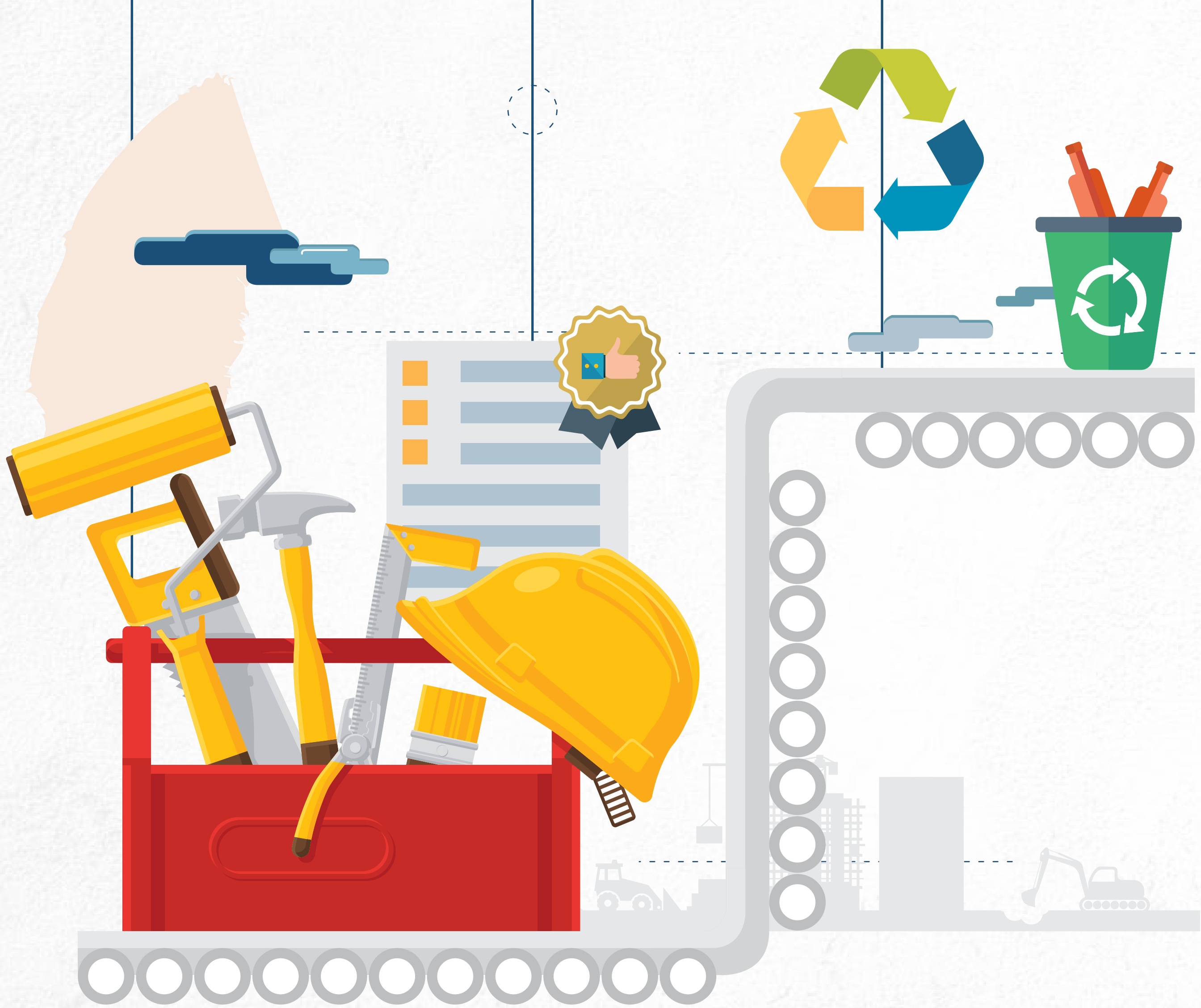
To continue **ENSURING** all SunCon project worksites comply with relevant environmental legal legislation and applicable requirements.

2

To **ACHIEVE** the ISO 14001:2015 Environmental Management System certification.

3

To continually **EXPLORE** effective approaches to reduce, reuse and recycle our construction waste.



SOCIAL: LABOUR AND DECENT WORK

People with different ideas, strengths, interests and cultural backgrounds are key to our success. We reject any form of discrimination and present all employees with the same opportunities. Candidates' personalities and skills-based assessments are pivotal in both the hiring and development of our workforce.

OUR PROMISES TO OUR PEOPLE

3 GOOD HEALTH AND WELL-BEING

GOOD HEALTH AND WELL BEING
SunCon establishes health and safety policies to protect the health of its employees, families and communities, ensuring safe and healthy work environments. Supply chain partners familarise themselves with these policies so they can follow our high standards.

4 QUALITY EDUCATION

QUALITY EDUCATION
SunCon collaborates with other organisations to provide employees with continuous training programmes and bridge the gap between the skills possessed and required.

5 GENDER EQUALITY

GENDER EQUALITY
SunCon's internal processes ensure gender equality in the recruitment, promotion, training and remuneration of all professionals.

10 REDUCED INEQUALITIES

REDUCE INEQUALITY
SunCon provides equal opportunity to all races (employees are diverse culturally) and we promote meritocracy.

8 DECENT WORK AND ECONOMIC GROWTH

DECENT WORK AND ECONOMIC GROWTH
SunCon transforms the way in which work is performed, integrating technology and new processes. This helps us provide quality employment while encouraging economic development in the areas surrounding the project areas.

SUNCON'S MANAGEMENT OF HUMAN RESOURCE RISKS

FACTS ON HUMAN RESOURCES RISKS

1 **People can be a source of risk if there is a shortage of employees, poor work quality or high turnover.**

2 **People are important in mitigating risk. Employees may go the extra mile for the good of the company.**

3 **People can help or hinder the execution of management plans.**

SUNCON'S MANAGEMENT OF THE TOP FOUR IDENTIFIED HR RISKS

Staff Turnover	• Identify suitable staff for internal transfers. • Train suitable staff to fill capability gaps. • Build pipeline of external candidates for possible hire.
Succession to Key Positions	• Identify potential successors internally. • Deploy development intervention such as experiential learning, coaching, mentoring and training.
Legal Foreign Workers at Project Sites	• Project PICs and ESH representatives enforce requirements at site and to subcontractors. • Perform regular tool box attendance checks and monitor worker fluctuations on site.
Competent Workforce (Value Chain)	• Identify value chain and bridge gaps in project management, project supervision and product quality control by delivering on-the-job training, coaching and assessments such as SQMS and QLASSIC.

SOCIAL: LABOUR AND DECENT WORK (CONT'D)

SUSTAINABLE DEVELOPMENT THROUGH LOCAL HIRING

We hire local employees wherever possible as creating jobs will help develop local communities. While our operations provide direct employment opportunities, we also encourage local businesses to be part of our supply chain. We work with governments and other partners to deliver training that builds local skills and expertise.

We collaborate with TalentCorp under the Scholarship Talent Attraction & Retention (STAR) Programme. The STAR programme provides Public Service Department (JPA) overseas scholars with employment opportunities so they can serve the conditions of the Government bond in the private sector. A total of 12 JPA fresh graduates have joined SunCon under this programme to date.

We have built strong collaborative partnerships with public-private universities and polytechnic schools. Previously, our collaborations with universities and academic institutions such as the Politeknik Ungku Omar and Institut Kemahiran Belia Negara (IKBN) provided work-based learning and internship programmes at our project sites.

In 2017, we formed a collaborative partnership with Consist College to hire their best students based on academic performance. Students who received the Best Students Awards are automatically given a conditional offer to join us as permanent employees. In 2017, we enrolled two students as Safety Supervisors in Environmental, Safety and Health.

Local Recruitment

262 university students completed their internships at SunCon in 2017	Connected with more than **22** private and local universities in Malaysia
3 to 6 month placements	Up to **8.4%** of interns were offered full-time employment upon graduation in 2017

UNIVERSITIES WE WORK WITH

LOCAL UNIVERSITIES

- Universiti Malaysia Pahang
- Universiti Malaya
- Universiti Malaysia Sarawak
- Universiti Tun Hussein Onn Malaysia
- Universiti Putra Malaysia
- Universiti Malaysia Perlis
- Politeknik Ungku Omar
- Consist College
- KLIA Professional College
- Universiti Teknologi Malaysia
- Universiti Sains Malaysia

PRIVATE UNIVERSITIES

- University of Nottingham
- Australia National University
- Monash University
- Sunway University
- Universiti Tunku Abdul Rahman
- Curtin University College
- Heriott Watt University College
- Imperial College London
- Infrastructure University Kuala Lumpur
- UCSI University
- Universiti Tenaga Nasional

SKIM LATIHAN 1MALAYSIA (SL1M)

Program Skim Latihan 1Malaysia (SL1M) is an employability enhancement initiative championed by the Economic Planning Unit (EPU) under the Prime Minister's department. This programme aims to provide a platform for specific targeted groups of university degree graduates who are either:

- Unemployed;
- Come from poor families or rural areas; or
- Employed in occupations that do not match their qualifications.

In support of this nation-building project, SunCon registered with SL1M on September 2017 and conducted a walk-in interview on October 2017. Thirty of the 80 applicants who came forward were enrolled under this programme for eight months and placed in various project sites.

The structure of this programme involves classroom training and on the job exposure. The trainees' development will focus on the areas of Communication, Creative and Analytics Thinking, Organisational Adaptability, Value Driven Professional and Grooming and Etiquette.

Our three-year target is to bring on board a minimum of 150 trainees.

OPTIMISING HUMAN CAPITAL

Holistic and integrated workforce planning discussions are frequently held across all SunCon projects in order to:

- Proactively forecast the resources required based on business needs.
- Rigorously review the skill sets of our current workforce to mitigate any workforce surplus or shortage.

Weekly and monthly review meetings are held with key business heads to discuss workforce needs and strategise internal employee deployment before hiring externally. This initiative is driven by Top Management and Human Resources.

DIVERSITY AND EQUAL OPPORTUNITIES

In 2017, the percentage of women in management was **23.38%**, an increase from 22.52% in 2016. As construction is a male-dominated industry, we believe the participation of women at the present ratio is healthy.

SunCon is a diverse organisation that provides equal opportunity to all employees who demonstrate the right values, potential and willingness to grow their careers.

We adhere to the equality and diversity practices of Sunway Group and actively participate in initiatives that promote effective equality. Our Code of Conduct sets out the principles of conduct regarding equality throughout the Group.

The right person is chosen for the job, regardless of gender, race or creed, when developing the careers of our talents.

Excluding foreign workers, our organisation comprises **50% Malays**, **35% Chinese** and **12% Indians**, which roughly represents the demographics of Malaysia.

FOREIGN WORKERS MANAGEMENT: HOW WE LOOK AFTER OUR FOREIGN WORKERS

During recruitment at the workers' home country, they are assessed to match their skills against available vacancies. We often prefer to hire workers who are either semi-skilled or fully-skilled for our construction projects. This ensures our manual labour workforce is both efficient and effective.

Upon arrival of the workers in Malaysia, they are given a safety and legal briefing. Their subsequent FOMEMA health checks and CIDB card application are facilitated by us. Workers are given an advanced daily meal allowance of up to RM500 for the first month. They are also covered by three types of insurance: insurance guarantee, foreign workers hospital and surgical insurance, and the foreign workers compensation scheme.

Insurance is subject to availability at the point of renewal. However, the coverage limit is up to RM10,000 and only limited to medical treatment at government hospitals. Since 2017, we have deducted 28% from the workers' monthly salaries in line with the government's ruling. Our foreign workers are also not eligible for tax relief or rebates.

The average basic pay for each worker is RM1,521. Additional overtime is paid for extra working hours. Incentives amounting to RM3,200 are given when workers have:

- Completed a two-year contract with a good behaviour record.
- Achieved a 95% attendance over two years.
- Received less than three show cause letters and no warning letters.
- Fulfilled all requirements stated in their contracts.

We also provide Central Labour Quarters and workers' transportation to the respective project sites.

275 of our foreign workers have been with us for **more than 2 years**.

> 10 years 14 foreign workers	**> 5 years** 180 foreign workers	**> 2 years** 81 foreign workers

More than **60%** of our workers renewed their contracts after the initial two years.

COMPETITIVE BENEFITS

We value our people and appreciate their hard work in many different ways. Investing in our employees allows us to continue growing and maturing as a professional and productive company.

SunCon wants to be competitive in the industry by hiring great people and providing competitive benefits that are designed to promote happy, healthy employees that feel satisfied and enriched.

Leave
- Annual leave (up to 25 days depending on work schedule and years of service)
- Special leave* (up to 10 days) and examination/study leave (up to 5 days)

Health Benefits
- Medical and hospitalisation leave
- Maternity leave
- Prolonged illness leave

Education Assistance
- Tuition refund scheme (up to RM 10,000) and tuition fee discount (up to a maximum value of RM8,000 per academic year)

Medical
- Medical treatment
- Insurance coverage
- Health screening programme
- Dental
- Optical benefits

Staff Discount
- Discounts on room rates at Sunway Group hotels and property developed by the Group
- Sunway Lagoon entrance fees

Other Benefits
- Company car and/or fixed car allowance
- Club membership entrance
- Mobile device (subject to business needs)

** For a breakdown of the categories defined under special leave, please refer to table overleaf.*

SOCIAL: LABOUR AND DECENT WORK (CONT'D)

COMPETITIVE BENEFITS (CONT'D)

We are supportive of the needs of working mothers through the provision of facilities such as flexible working arrangements, a mother's room and also a designated car park for expectant mothers. Currently, six employees are utilising the flexible working arrangement. In 2017, we have introduced childcare/parental leave which entitles employees to two days of leave to care for their sick family members.

The number of employees who have utilise our various types of leave over the past three years is presented in the table below. As the childcare/parentcare leave was only introduced in 2017, the utilisation rate for previous years was zero. Employees may take up to two days leave.

Number of Employees Who Utilised Leave by Type of Leave

TYPES OF LEAVE	2017	2016	2015
Study/Examination Leave	42	46	60
Childcare and/or Parent Care Leave	115	0	0
Critical illness of near relative	25	33	35
Death of near relative	108	89	79
Natural disaster	3	0	1
Paternity	67	61	60
First legal marriage	49	53	49
Overall Total (Utilised by Headcount)	409	282	284

CAPABILITY BUILDING

4 QUALITY EDUCATION

SunCon's long-term training and development plan aims to develop the skills of all professionals. This strategy allows SunCon to engage a more capable workforce while helping individuals grow their careers.

Our Human Resource Department performs learning needs analyses to ensure all employee development plans are designed purposefully. We also sponsor high-performing employees who wish to pursue their studies. Academic sponsorships cover diplomas, tertiary, professional and postgraduate qualifications.

Examples of Evening Talks, Sharing Sessions and Short Courses Available for Employees in 2017

- HVAC/R Training
- PAM Contracts (With Quantities) and (Without Quantities)
- QLASSIC Awareness Training
- Liebherr Product Talk
- EDMS User Training
- Talk On "Bi-Directional Static Load Test"
- Concrete Technology
- Talk on Third Generation Polymer for Soil Stabilisation
- Sunway Leaders Series
- The Invention of High-efficiency Blue LEDs and the Future of Solid-state Lighting
- Briefing on the Latest QESH Manual

SUNWAY MACHINERY TRAINING ACADEMY

The Sunway Machinery Training Academy was established in October 2010. It is accredited by the Department of Skills Development (Jabatan Pembangunan Kemahiran) under the Ministry of Human Resources Malaysia.

The academy follows the National Dual Training System:
- 30% theory (portfolio and daily log book report).
- 70% practical (practical assessment and final examination/PPL).

Our academy delivers certified technical training for heavy construction machinery mechanics. The training also benefits employees by teaching the skills, knowledge and expertise required to repair heavy construction machinery.

Training Objectives

Minimise
Machine Repair Costs and Downtime

Raise
Safety Awareness

Promote
Knowledge-Based Skilled Workers

Recognise and Certify
Skills Competency

Increase
Operational Efficiency and Productivity

Types of Training Programmes

Technician of Construction Machinery	• Apprenticeship Programme - Technician of Earthmoving Equipment (SKM Level 3) • Technology Automotive in After Sales Service (DKM Level 4)
Construction Machine Operations	• Backhoe Loader Machine Operation Competency - Levels 1 & 2* • Hydraulic Excavator Machine Operation - Levels 1 & 2* • Hydraulic Bored Pile Machine Operation Competency - Levels 1 & 2* • Forklift Operations & Safety

** Accredited by Construction Industry Development Board of Malaysia.*

Leveraging on Sunway Machinery Training Academy's training facilities and expertise, we were accredited by CIDB in January 2014 to deliver our first operator competency training programme for hydraulic bored piling machines.

Currently, SunCon is collaborating with IFT Engineering Sdn Bhd to establish the Sunway-IFT Training School in Mantin, Negeri Sembilan. The school, which will offer a Tower Crane Operator Competency Training Programme, is currently awaiting approval from the JKKP Accreditation Training Centre.

Sunway Machinery provides other types of trade training programmes that are aligned with its training objectives. The forklift operation and safety training syllabus introduces an elementary knowledge of forklift trucks, essential safety instructions, operations knowhow, instruments control, service and maintenance.

The tower crane maintenance checker training programme concentrates on improving operational safety and awareness through multi-skilled development and effective repair maintenance. The acquisition of these skills helps us improve tower crane efficiency while reducing the risk of accidents, repair costs and operational downtime.

9 candidates
Graduated from our Hydraulic Excavator Operator Competency Training Programme.

5 candidates
Graduated from our Diploma Kemahiran Malaysia (DKM).

SUNWAY LEADERSHIP CRITERIA

Sunway Leadership Criteria (SLC) is a behavioural competency framework measured and observed by Sunway Group. SLC clearly defines the expected leadership behaviour of employees at every level in the organisation.

Strategic Thinking
Applies broad and conceptual thinking with a big-picture and long-term view when formulating strategies. Practices analytical rigour and considers internal and external factors that impact the organisation.

Interpersonal Skills
Demonstrates emotional maturity and seeks to understand others in order to interact effectively and build sustainable relationships.

Passion for Excellence
Sets high standards and drives performance with energy and determination to achieve ambitious outcomes. Pursues change and innovation that leads to higher performance.

Leading Others
Sets direction, engages and influences others to work towards organisational goals. Leads with integrity.

Developing Others
Facilitates the development of others to meet organisational goals. Inspires and motivates others to grow and develop in order to realise their full potential.

Customer Focus
Committed to providing quality products and services that respond to changing customers. Aim to exceed the expectations of internal and external customers and build win-win relationships.

SOCIAL: LABOUR AND DECENT WORK (CONT'D)

SUNWAY LEADERSHIP CRITERIA (CONT'D)

BUILD FLM

The BUILD Front Line Managers (Build FLM) is a management and leadership development programme designed to engage learners through self-assessment, group discussions, case study, debate, video examples, experiential exercises and peer learning. This programme consists of two phases, both of which are two days.

Phase 1

- The foundation
- Self awareness: DISC
- Effective manager communication
- Effective delegation
- Creating a motivating environment
- Managing change
- Decision making at workplace

Phase 2

- Selecting the right talent – interviewing skills
- Building effective teams
- Managing team conflict
- Managing difficult employees at workplace
- Leadership
- Accountability

Objectives

- Understand self, individual differences and how to communicate and lead the differences.
- Equip managers with core managerial skills so they can develop and engage their team to strive for excellence and growth.
- Provide the fundamental skills for managers to lead and build their team effectively.

LEADERSHIP CONTINUITY

10 REDUCED INEQUALITIES

Our Talent Management and Development provides a unique development and career advancement opportunity for employees with different talents and potential.

This process supports SunCon's continuous effort to improve its talent and leadership bench strength.

SunCon's Approach to Talent Management and Development

Talent Identification Process	Involving Business Unit Heads, Line Managers, subsidiary HR, Group HR and employees.
Assessment Tools	Such as the Sunway Annual Talent Review (ATR), MFE Moderation and Assessment Centres help identify key potentials that have the capability of succeeding in key leadership roles in various departments.
High Potential Employees	Who have consistently performed "Above Expectation" and have demonstrated leadership potential are closely monitored by the Senior Leadership Team on their career progress and development needs.
Talents	Are considered for an accelerated career progression with support from internal mentors and differential learning experiences. Differentiated rewards are applied to recognise differentiated performance and potential, provided such standards of performance are sustained.
Employees	Have an equal responsibility for their own career development and are encouraged to drive their own growth to maximise their potential.

SunCon strengthens in-house sourcing capabilities and market intelligence. A pipeline of potential candidates with the right fit are created:

- Through strategic university relations and branding by establishing strategic collaboration among higher learning institutions, authorities and associations.
- By developing IT tools that enhance sourcing capabilities and match needs with skills through SAP recruitment and workforce planning meetings.

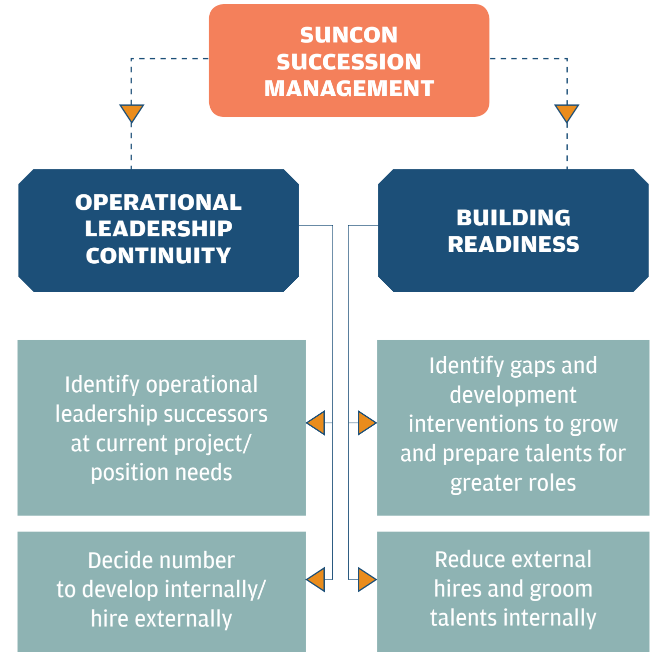
SUCCESSION PLANNING

Succession planning is vital for identifying key potentials and successors through assessment and evaluation tools using the Leadership Potential Indicator (LPI) as a benchmark.

This process involves mapping identified talents to successors and both preparing and following through an Individual Development Plan (IDP) to accelerate the growth of talents, speeding up their readiness to take over the role or other opportunities that arise in the organisation.

Succession and talent management progress is reviewed periodically during SunCon Management meetings.

Sunway Construction Annual Report 2017



EMPLOYEE ENGAGEMENT

We endeavour to remain the most sought-after employer and continue focusing on implementing a holistic strategy for employee engagement and organisational development.

We recalibrated our engagement strategy by holding frequent discussions throughout the year.

SUNCON EMPLOYEE ENGAGEMENT JOURNEY

SunCon has partnered with Aon Hewitt to gauge employees' feedback since 2012. The first employee engagement survey was commissioned to capture employees' opinions as part of the success factor in creating impact in Sunway's engagement roadmap. We achieved a 93% response rate with a total of 1,203 employees taking part in the recent survey conducted in 2017. This significant increase from the response rate of 69% in 2015 is due to our enhancement of employees' experience as part of the SunCon family.

The key dimensions of our employee experience include collaboration, work-life balance, work, task delegation and supervision.

In view of the recent positive survey results, the management team aims to improve employees' experience in the organisation by executing and implementing identified action plans.

OTHER EMPLOYEE ENGAGEMENT INITIATIVES

Sunway Managers' Conference (SMC)

Close to 2,000 Sunway Group managers gather during this one-day event. Business leaders and visionaries share their insights on corporate strategies and business management while advising on self-motivation.

Long Service Award (LSA)

The award commemorates passionate and committed employees' loyalty and contribution to Sunway Group's continous development and improvement of services.

Sunway Annual Family Day

The annual family day is attended by all Sunway employees with free entry to Sunway Lagoon. The one-day event includes a telematch and other games that foster closer rapport between colleagues while strengthening family relationships.

SOCIAL: LABOUR AND DECENT WORK (CONT'D)

BRIDGING COMMUNICATION GAPS: SUNCON MD TOUR

This series of engagement sessions is the first attempt of its kind to move away from the top-down management approach. Our Managing Director, Mr Chung, personally listened to employees' work challenges and encouraged two-way communications between employees and the top management. SunCon MD Tour 2017 recorded an attendance rate of 38.5%, which is good considering all project sites had to operate as usual. This series of communication sessions has reached out to all levels of employees rather than the regular one-day manager conferences.

Untangled Townhall Briefing at Sekolah Sultan Ahmad Shah For Parcel F Employees

CLOUD BASED INTEGRATED HR AND TALENT MANAGEMENT SYSTEM: SAP SUCCESSFACTORS

Sunway had invested in one of the best global HR systems that provide an enabling technology to effectively reengineer our human resource management. In 2017, we successfully implemented the Human Capital Management SuccessFactors to capture a single and integrated source of records for all workforce data.

Employees now have easy access to their own personal data. We have recorded 60% of users logging in with 506 active SunCon executive-level users since the launch of SAP SuccessFactors on 9 January 2017.

2016

DEVELOPMENT
- My Profile
- Perfomance
- Succession Planning

2017

GO LIVE
- My Profile
- Perfomance
- Succession Planning

DEVELOPMENT
- Compensation
- My Learning
- Recruitment

GO LIVE
- My Profile
- Recruitment

2018

GO LIVE
- Compensation

OUR HR POLICIES ARE NOW ONLINE

Employees can now access the mandatory HR policies through online programmes in My Learning, which was developed in 2017.

TWO PLATFORMS ACCESSIBLE IN THE MY LEARNING PORTAL

1 Code of Conduct and Business Ethics
This policy provides guidance on the standards of behaviour expected of all directors and employees. All employees are required to acknowledge it annually.

2 E-Policy
This policy establishes a guideline for the use of Sunway Group information assets, information processing facilities and networking infrastructure.

Sunway Construction Annual Report 2017

KNOWLEDGE MANAGEMENT

SunCon is a learning organisation that empowers its employees to continually enhance their capabilities, productivity and quality. Knowledge Management (KM) is part of SunCon's initiative to transform its workplace into a knowledge-based environment by leveraging on the organisation's knowledge base.

To achieve this, a KM Portal has been established as a centralised platform for staff to easily store, view and share knowledge and lessons learnt in a secure environment. Developed on a web-based collaboration platform, the KM Portal acts as a one-stop centre and repository for the organisation's documented knowledge so that it can be easily accessible by staff from anywhere and anytime.

Contents in the KM Portal are relevant to each employee including Standard Operating Procedures, Safe Work Method Statements (SWMS) and How-to-Guides. In 2017, over 1,000 SWMS have been posted in the KM Portal. During the year, the KM Portal has been accessed over 10,000 times by staff.

Examples of SunCon's Standard Practices That are Accessible from the KM Portal
- Guide to Reinforced Concrete
- Guide to Brickwork
- Guide to Plastering Works
- Guide to Waterproofing Works
- Minimum requirements for lorries used within project sites

CULTURE OF KNOWLEDGE SHARING

We encourage knowledge sharing within the organisation. Sending employees for formal external training may be relevant, but it is also important that this knowledge is shared with other team members. We train our management staff and subject matter experts as internal trainers who can cascade the knowledge down to the rest of the team.

SUNCON SOCIAL CLUB

The SunCon Social Club (SSC) was established in 2004 to boost employee engagement and motivation. The club focuses on sports, leisure and corporate social responsibility. Primarily, it brings employees together through social platforms that also benefit society. Members are encouraged to suggest activities they would like to volunteer for.

1 NO POVERTY

Benefits of SSC

- **Supports employees' emotional and physical wellbeing**
- **Conducting activities for employees during their working week is an important stress release**
- **Encourages creativity and provides an opportunity for them to unwind**
- **Improves motivation and instils a sense of belonging**
- **Opportunity to interact with peers and feel valued in a supportive organisation**

SSC provides an avenue for inter-departmental collaboration between employees. This internal social club delivers fun activities to colleagues while instilling a culture that values and supports employee engagement, internally.

SSC's exciting activities range from sports activities, blood donation campaigns as well as both local and overseas trips.

In 2017, SSC also held a Corporate Social Responsibility (CSR) initiative by giving 100 school stationery sets to eligible employees' children before the start of the new school term. The sets were presented to those on low incomes to lessen the financial burden of schooling. The club also took part in the distribution of food to the poor which is an initiative championed by the Sunway Group under its Stop Hunger initiative.

SOCIAL: LABOUR AND DECENT WORK (CONT'D)

SUNCON SOCIAL CLUB (CONT'D)

Featuring Run for a Cause
Run for a Cause is an SSC initiative that collected donation pledges for the achievements of Ms Lim Siaw Hua. Ms Lim participated in the Al Andalus Ultimate Trail (AAUT), a 5-stage, 230-km ultra-marathon over five days in Andalus, Spain. Each pledge was structured by the number of stages the runner completed. Each successful pledge was channelled to the Build a Home Programme, a CSR project held by SSC in September 2017. SSC raised a total of RM77,800.

Featuring Build A Home Programme
The Build a Home Programme was organised by SSC in collaboration with EPIC Homes. The programme involved building a home at Kampung Orang Asli Ulu Geruntum in Gopeng, Perak. Consisting of four villages with an average of 40 families living in each, Kampung Orang Asli Ulu Geruntum is located 30 minutes from the main roundabout in Gopeng town. EPIC has built eight homes in this village to date and this initiative has been well received by the community.

EPIC Homes, an initiative by Hati.my, builds homes for underprivileged Malaysian communities with help from volunteers from the public or participating companies. EPIC homes have completed more than 90 homes with the assistance of more than 4,000 builders. The Build a Home Programme event also helps SunCon build relationships through this good cause.

Ms Lim Completed The Al Andalus Ultimate Trail (Aaut), A 5-Stage, 230-km Ultra-Marathon Over Five Days In Andalus, Spain

SunCon Family Day 2017	Over 200 employees and their family members attended the SunCon Family Day on 19 February 2017 at Jumpstreet, Petaling Jaya.
Southern Region Blood Donation	65 SunCon employees selflessly donated their blood at the M3 Project Site Office on 2 March 2017. Another blood donation was held at CLQ MRT on 13 October 2017 during the employee health screening day.
Mountain and Cave Expedition 2017	32 climbers conquered the peak of Gunung Ledang on 19 March 2017. Subsequently another team conquered the Mulu Caves on 2 to 4 September 2017. Both expeditions fostered a feeling of togetherness among employees.
MBAM and TEEAM Sports Tournament	SunCon employees took part in various sports tournaments hosted by MBAM and the Electrical and Electronics Association of Malaysia (TEEAM).
Tioman Island Trip	Employees took advantage of a trip to Tioman Island from 5 to 7 May 2017.
SSR Bowling Tournament	Employees took part in an SSR Social Club Bowling Tournament on 21 May, 8 October and 10 December 2017.
Bubur Lambuk Giveaway	During the month of Ramadhan, SunCon employees distributed *bubur lambuk* at its corporate headquarters and five project sites in the Klang Valley and one in the Southern Region.
Basic Health Screening	Staff basic health screening was conducted at the Southern Region project site on 4 October 2017 and CLQ MRT on 13 October 2017.
SunCon Trip to Korea	A trip to Korea was organised from 3 to 8 November 2017.

SunCon Social Club Korea Trip

Sunway Construction Annual Report 2017

TREATING OUR EMPLOYEES WITH RESPECT

EMPLOYEE PRIVACY

SunCon is committed to protecting stakeholders' personal information and their privacy. How we collect and handle personal information in accordance with the Malaysian Personal Data Protection Act 2010 is explained in the Personal Data Protection Notice. This may be amended at any time without prior notice. However, notifications of the changes will be posted on the Company website or sent through email.

GRIEVANCES

Our grievance procedure provides employees with a mechanism to resolve their grievances or disputes. It is imperative that employees' grievances are treated both fairly and impartially.

SEXUAL HARASSMENT

Sexual harassment is defined as any unwanted conduct of a sexual nature in the workplace, having the effects of verbal, visual, psychological or physical harassment against a person of the opposite sex or same sex. Our staff handbook contains a comprehensive Sexual Harassment Policy that aims to keep all employees free from sexual harassment in the workplace. It covers all work-related settings and extends to over-the-telephone and electronic media. We are committed to providing a safe and conducive working environment and this policy covers all employment-related sexual harassment occurring outside the workplace as a result of employment responsibilities or employment relationships.

OCCUPATIONAL SAFETY AND HEALTH

SunCon has a strict Occupational Health and Safety Policy which sets out the guidelines to safeguard health and safety at all projects. The Company's Occupational Health and Safety Management System, certified under the OHSAS 18001 standard, currently covers 100% of its activities.

Morning Toolbox at Parcel F

SUNCON COMMITMENT TO OSH

Driven by its motto, "Quality, Environmental, Safety and Health, Our Culture, Our Shared Commitment", SunCon aims to prevent accidents, preserve environmental sustainability and achieve highest standards of work quality in every processes company wide. QESH policies, procedures and comprehensive frameworks have been developed and implemented to achieve these objectives:

QESH Policy
It is the policy of SunCon Group of Companies to meet and satisfy the quality, environmental, safety and health requirements of its clients through the following:

- To ensure that all staff are effective, efficient and consistent in the performance of their duties and responsibilities by providing requisite leadership, training, support and motivation.
- To optimise total costs by doing right things right the first time and every time.
- To strive towards a ZERO life loss at all project work sites.
- To continually improve and innovate to achieve the highest standards of work quality and service excellence.
- To continually improve environmental, safety and health management practices.
- To comply with applicable, environmental, safety and health laws, legal and other requirements.
- To prevent environmental pollution, managing construction waste and conserving resources through systematic environmental aspects and impacts evaluation, implementing operational controls and training.
- To prevent accidents, near misses and health hazards through systematic hazard identification, risk assessments, determining controls and training.

SOCIAL: LABOUR AND DECENT WORK (CONT'D)

OCCUPATIONAL SAFETY AND HEALTH (CONT'D)

This policy reflects the company's fundamental thrust towards inculcating **total quality, environmental, safety and health management principles, practices and values.**

It is the policy of SunCon Group of Companies to meet and satisfy the quality, environmental, safety and health requirements of its clients through the following:

To ensure that all staff are effective, efficient and consistent in the performance of their duties and responsibilities by providing requisite leadership, training, support and motivation.

To prevent environmental pollution, managing construction waste and conserving resources through systematic environmental aspects and impacts evaluation, implementing operational controls and training.

To strive towards a ZERO life loss at all project work sites.

To optimise total costs by doing rights things right the first time and every time.

To prevent accidents, near misses and health hazards through systematic hazard identification, risk assessments, determining controls and training.

To comply with applicable, environmental, safety and health laws, legal and other requirements.

To continually improve environmental, safety and health management practices.

We Strive to Maintain Good Housekeeping at All Areas

Edge Barricade As Fall Prevent On The Job Training For Workers On Measures

Edge Barricade As A Fall Prevention Measure

Fall Prevention Measures For Tower Crane Operators

Sunway Construction Annual Report 2017

High-Risk Activities and Protection

The construction industry has always been labelled as a 3D industry: **Dangerous and Difficult**, and recently with an additional **"D": Demeaning**.

Its internal workforce is constantly exposed to danger due to many unavoidable high-risk activities embedded in the construction operations. The Hierarchy of Control has always been the cornerstone for developing a mitigation and control plan to minimise the risk. This includes engineering controls, administrative controls and Personal Protective Equipment (PPE).

The following checklist must be performed prior to work commencement:

- Comprehensive hazard identification and risk assessment.
- Permit to Work (PTW) must be approved.
- Pre-task talk to all workers involved in the work.
- Risk identification and control.
- Personal Protective Equipment (PPE) must be applied especially for high risk activities including working at heights, excavation, confined spaces, lifting operations and hot work.

PERMITS REQUIRED FOR HIGH-RISK ACTIVITIES

Hot work	Excavation
Scaffolding	Confined spaces
Working at height	Lifting
Night Work	

PPE WORN ON SUNCON SITES

Working at Height

Working at height is an integral part of work. Almost all workers work at height in some way, especially on a construction site.

The risk of working at height and its corresponding consequences remain the greatest challenge facing the construction industry.

SunCon considers working at height as a high-risk activity. We remain committed to reducing accidents and incidents from falling from height by minimising risks related to unsafe working practices.

Required PPE consists of a Personal Fall Arrest System (PFAS) which includes a full body harness, anchorage point, safety helmet, double lanyard and connectors.

Lifting Operations

Lifting operations are inherent to many activities in the construction industry. Safe lifting allows the efficient transportation of large objects and reduces manual handling operations. However, unsafe lifting can often expose people to injury, jeopardise public safety, incur significant costs and damage our reputation. SunCon reverberated with the recent string of reported accidents involving public members which arise from lifting operations by implementing lifting plan requirements for all lifting activities. Enforcement driven at SunCon echoed the special order issued by the Director General of Department of Occupational Safety and Health (DOSH) on Management and Safe Operation of Tower Cranes, which came into force on 5 June 2017. SunCon acknowledges lifting operations as a high-risk activity and remains committed to ensuring zero accidents from lifting activities through extensive and meticulous planning and the implementation of the highest safety standards.

SOCIAL: LABOUR AND DECENT WORK (CONT'D)

Employees' Commitment to OSH

- Assure the safety of everyone
- Prevent occupational accidents, injuries, sickness and loss of life
- Conform to the legal requirements and codes of practice
- Familiarise themselves with fire precautions
- Ensure OSH policies are incorporated into all planning and evaluation
- Promote OSH in public, company meetings and publications
- Review and evaluate operations to measure progress and compliance with the safety policy
- Promote cooperation to achieve and monitor safe and healthy working conditions

Contractor Safety Standards

SunCon requires all contractors working at its sites to meet its safety guidelines and standards. Contractors must comply with all provisions of statutes, codes of practice and laws pertaining to environmental, safety and health. Contractors and subcontractors must meet the minimum safety requirements, which is to comply with all relevant laws including:

- Guidelines for Public Safety And Health at Construction Sites by Department of OSH, Ministry of Human Resources Malaysia, 1994;
- The Code of Practice for Safe Working in a Confined Space by Jabatan Keselamatan dan Kesihatan Pekerjaan, Kementerian Sumber Manusia Malaysia;
- Guidelines on First Aid in the Workplace, Department of OSH, Ministry of Human Resources Malaysia, 2004;
- Guidelines on OSH (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004;
- Guidelines on trenching for construction safety, Department of OSH, Ministry of Human Resources Malaysia, 2000;
- Guidelines for the preparation of a chemical register, Department of OSH, Ministry of Human Resources Malaysia, 2000;
- Occupational Safety and Health Act (OSHA) 1994;
- Factories and Machinery Act (FMA) 1967; and
- Environmental Quality Act (EQA) 1974.

SAFETY HAZARDS IDENTIFICATION, PREVENTION AND MITIGATION

"To achieve ZERO life loss" is one of the Key Performance Indicators (KPIs) in the annual year-end appraisal for all SunCon employees.

A structured management system has been developed at all operational levels to ensure that everyone contributes to achieving this goal. This management system includes measures and practices, especially engineering and administrative controls.

The Safe Work Method Statement is communicated to all personnel who are involved prior to work commencement. This statement is also accessible through the Company's Knowledge Management Portal.

What is in SunCon's Safe Work Method Statement
- Resource management
- Relevant training required
- Comprehensive hazard identification
- Risk assessment and risk control
- Environmental aspects and impacts evaluation

A formalised set of best practices are also in place to reduce construction risks in our workplace.

Handling of Accidents and Incidents

We investigate every accident and incident that occurs to identify their root causes before mapping future corrective and preventive actions. Report findings and lessons learnt in respective areas including Building, Civil, Geotechnical and Engineering are circulated to key personnel and reported to both the top management and High Level ESH Council.

OSH PERFORMANCE

We recorded outstanding ESH achievements in 2017. The most noteworthy accomplishments included:

- **Meeting the target of ZERO life loss**
- **A 50% reduction in the number of reportable cases under OSHA 1994**
- **Significantly fewer cases of falling from height**

INDICATOR	2017	2016	2015
Worked man-hours	18,790,437	16,918,924	14,676,640
Fatal accidents	0	2	2
Lost time injury accidents	4	6	2
Total recordable cases	4	8	4
Accident frequency rate	0.21	0.47	0.27

OSH Target vs Performance

TARGET	PERFORMANCE IN 2017
ZERO Life Loss	ZERO Life Loss
Monthly inspection score of 75% and above	Average score of 80.0%
Accident Frequency Rate (AFR) of less than 0.3	Accident Frequency Rate (AFR) of 0.21
Achieve 3 milestones: 3.9 million, 7 million and 10 million company-wide man-hours without lost time accident	Highest number of man-hours without lost time injury in 2017 was 9,201,930

Awards and Recognitions

On 29 February 2017, our Parcel F project at Putrajaya was awarded a 5-star rating by the Department of Occupational Safety and Health (DOSH) Malaysia. The award acknowledged its strict compliance and commitment to:

- Ensuring occupational safety and health for working at height, and
- Concreting and lifting work undertaken throughout the project site.

YB Dato' Sri Richard Riot, Ministry of Human Resources Malaysia Site Walk at Parcel F

SunCon also received several Occupational Safety and Health (OSH) awards from the Malaysian Society for Occupational Safety and Health (MSOSH) under the Construction and Engineering Construction Sectors:

- Parcel F: Gold Award Class I
- KLCC PKG 1: Gold Award Class II
- MRT V201: Gold Award Class II
- KLCC PKG 2: Gold Award Class II
- Emerald Residence SSR: Gold Award Class II
- Velocity Hotel: Silver Award

SunCon project sites were rated with "Very Good OSH Performance" for the Gold Award Class I and II. The Silver Award winner was rated with "Good OSH Performance".

Parcel F Team With Client Representatives at MSOSH Award Ceremony

Minimum Requirements of SunCon's ESH

Our minimum ESH requirements, as prescribed in the QESH Manual, are enforced and accentuated in all SunCon business operations. These requirements are aligned with those imposed by the authorities and regulatory bodies including:

- The appointment of a dedicated Safety and Health Officer
- The formation of a dedicated Safety and Health Committee
- A valid license is required to work including a CIDB Green Card
- The introduction of the OHSAS 18001 Management System

SunCon has also standardised its safety practices which include:

- ESH programmes such as daily morning toolbox talks and compulsory safety inductions
- PPE requirements being a part of workplace safety
- Obtaining the necessary Permit to Work (PTW) for high-risk activities
- Safe work methods that emphasise fall prevention, electrical safety and safe lifting
- Implementation of 5-S system at all project sites

SOCIAL: LABOUR AND DECENT WORK (CONT'D)

Dato Dr Ir Johari and Mr Teh Hang Loong Receiving Award at MBAM Safety and Health Conference 2017

RECOGNITION FROM THE INDUSTRY

Dato' Dr Ir Johari bin Basri, Senior Independent Non-Executive Director, High Level ESH Council Chairman, Sunway Construction Group Berhad was awarded the Golden Helmet Award at the annual MBAM Safety and Health Conference 2017. Mr Teh Hang Loong of Sunway Construction Sdn Bhd received the MBAM Safety and Health Award for Site Personnel.

The Golden Helmet Award for Leadership in Safety and Health is presented to individuals who have made an outstanding leadership contribution to safety and health in the construction industry. The Safety and Health Award for Site Personnel is presented to individuals who are highly committed the implementing safety and health at construction sites.

ESH GOVERNANCE

High–Level Environmental, Safety and Health Council (HLEC)

Officially established in August 2015, the HLEC serves as a platform to identify, articulate and provide feedback on strategic environmental, safety and health issues in SunCon. HLEC is led by YBhg. Dato' Dr Ir Johari bin Basri, Independent Non-Executive Director and Senior Independent Non-Executive Director at SunCon.

The HLEC continues to take the lead in developing ESH strategies and policies to improve SunCon's ESH performance and achieve better ESH standards. During its quarterly scheduled meetings, emerging ESH issues from construction activities on the ground and details of accidents were discussed. Preventive measures were developed to prevent recurrence.

HLEC visited SunCon project sites regularly throughout 2017. The council also conducted an ergonomics study at the Precast Division to reduce stress and eliminate injuries and disorders resulting from a bad working posture.

HLEC Structure

CHAIRMAN
Dato' Dr Ir Johari Basri

SECRETARY
Major (R) Leong

MEMBERS

Datuk Kwan Foh Kwai	Chung Soo Kiong	Tan Wee Bee	Yabe Akira	Assoc Prof Dr Shamsul Bahri Mohd Tamrin

High Level ESH Council Meeting at Menara Sunway

ENVIRONMENTAL, SAFETY AND HEALTH COMMITTEE

In compliance with OSHA 1994, ESH committees are formed at all SunCon work sites. The committee, led by the project manager as committee chairman, is responsible for reviewing workplace ESH performance. The chairman is assisted by the secretary, who is a competent ESH Officer, with both SunCon representatives and business partners being part of the committee. The ESH committee meets at least once every month.

An ESH Committee has also been established at SunCon's Headquarters. Members include representatives from each level of SunCon offices at Menara Sunway. ESH matters are discussed by the committee and highlighted to the building management team for further action.

Roles and Responsibilities of the ESH Committee

- **Reviewing the effectiveness of ESH management programmes**
- **Investigating accidents, incidents, near misses, environmental impacts, dangerous occurrences, occupational poisoning or occupational disease**
- **Discussing the findings of investigations and proposing recommendations for corrective and preventive action**
- **Evaluating the analysis and trends of accidents, incidents, near misses, environmental impacts, dangerous occurrences, occupational poisoning or occupational diseases**
- **Inspecting the workplace at least once a month to observe ESH practices and noncompliance**

ESH INITIATIVES

SunCon Environmental, Safety and Health (ESH) Pledge

- Strive for excellence and take ownership of our Environmental, Safety and Health as our culture
- Care for public safety and reduce public inconvenience
- Always wear Personal Protective Equipment (PPE) at work
- Ensure a clean and safe working environment by adopting the 5S principles
- Prevent workplace accidents, injuries and environmental pollution through continuous learning and training
- Identify, control and minimise all work hazards
- Use fall protection equipment and safe working platforms when working at height
- Conduct all lifting operations according to the Lifting Plan
- Stop and eliminate all unsafe acts and conditions immediately
- Act according to the Emergency Response Plan as and when required

Anti-Dengue Awareness and Communication

Sunway Safety Merit System (SSMS)

SunCon embarked on the journey of self-regulatory compliance with the applicable Environmental, Safety and Health (ESH) regulations by establishing the Sunway Safety Merit System (SSMS) in 2012. This is consistent with the vision of Malaysia's Department of Occupational Safety and Health (DOSH).

The SSMS is implemented during monthly ESH inspections that are performed by the Inspectorate Team. The inspection, which gauges the achievement of project sites in inculcating a sustainable ESH culture in their workplaces, covers documentation, awareness and implementation.

During the year, we upgraded the SSMS inspection process. A cross-inspection system is performed by a pool of inspectors. Cross-learning is allowed across all work sites while maintaining the SSMS system, which can result in improved ESH implementation and performance. We have also identified potential inspectors as part of our succession planning.

Moving forward, SSMS will contribute to the annual Overall Champion Award. The winner will be an all-round achiever in time, cost, quality and ESH.

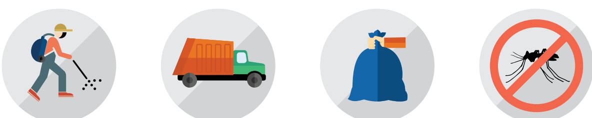
SOCIAL: LABOUR AND DECENT WORK (CONT'D)

Zero Larvae, Zero Dengue
SunCon is committed to eradicating dengue. We continue to strive for "Zero Larvae, Zero Dengue" at all work sites through a structured four-pronged anti dengue.

We also continued to participate in the Communication for Behavioural Impact (COMBI) programme championed by State Health Department at:
- Wilayah Persekutuan Kuala Lumpur and Putrajaya Federal Territory Health Department; and
- Petaling District Health Office Level.

In November 2017, the Parcel F project participated in the Mini Konvensyen COMBI Tapak Bina Peringkat Putrajaya 2017, which raised residents' and construction site workers' awareness of the COMBI programme. SunCon's four-pronged anti-dengue strategy and programme was presented and was well received by the audience.

SunCon's Four-Pronged Anti-Dengue Strategy



Fogging | **Searching and destroying** | **Gotong-royong** | **Anti-dengue awareness and communication**

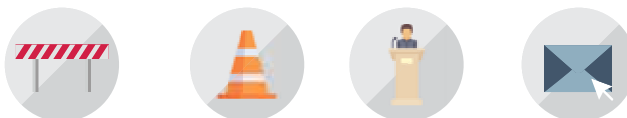
Our four-pronged strategy has proven to be effective as the notices received from federal and local authorities on vector issues has reduced by 77%.

During the launch of the COMBI programme at our CP3 project in October 2017, it was announced that Lagoon Perdana, which was once identified as a dengue hotspot area, has had ZERO dengue cases reported recently.

In November 2017, our Velocity Phase 2 project won third place as the best COMBI project work site in the Wilayah Persekutuan Kuala Lumpur and Putrajaya Federal Territory region during the Majlis Anugerah COMBI Wilayah Persekutuan Kuala Lumpur dan Putrajaya.

Continuous Learning
Continuous learning is emphasised at our head office and across all construction sites to promote a behavioural-based safety culture and practices. Some examples include the following.
- Construction Safety and Hazard Identification, Risk Assessment and Risk Control (HIRARC) training.
- Competency training on basic occupational first aid, CPR, forklift operation, signalling, rigging and scaffolding.
- Certified Erosion, Sediment and Storm Water Inspector (CESSWI).
- Certified Environmental Professional for Scheduled Waste Management (CePSWAM) courses.

OTHER CHANNELS THAT REINFORCE THE IMPORTANCE OF SAFETY



ESH Information Corner at every construction site | **Safety alerts and bulletins** | **Health awareness talks** | **Email blasts**

SMOKE FREE WORKPLACE
Sunway Group is dedicated to providing a healthy, comfortable and productive workplace for all employees. Cigarette smoking harms nearly every organ of the body, causes many diseases and reduces the health of smokers in general. These health hazards impact both smokers and non-smokers who are exposed to secondhand smoke.

Sunway values the health of its employees, clients and visitors. In order to protect our stakeholders, Sunway Management has declared that all the Sunway Group's Company premises, areas and vehicles are smoke-free. SunCon supports the vision of a completely smoke-free society.

Portable Rest Area Fabricated From Used Shipping Container

SOCIAL: HUMAN RIGHTS

SunCon has embraced key human rights principles regarding work ethics and is dedicated to developing and nurturing a culture of respect, diversity and equal opportunity. These principles are of paramount importance to our everyday life and business.

Our respect for human rights is consistent with relevant national laws and the United Nations Guiding Principles on Business and Human Rights in all places in which we operate. SunCon's Code of Conduct explicitly addresses respect for human rights. Many human rights risks lie outside our sphere of influence, the main being abuses that occur when using migrant labour in construction.

We operate in a manner that respects the human rights of all associates including supply chain personnel and local communities. While governments have the primary responsibility to protect human rights, SunCon's activities can potentially impact the human rights of individuals affected by business operations.

SunCon's Commitment to Human Rights
- Pay at least the minimum wage.
- Do not use child labour.
- Provide associates with a safe and healthy workplace.
- Do not use forced, prison, indentured, bonded or involuntary labour.
- Suppliers and contractors must not allow their workers to work excessive hours.
- Prompt action required by our grievance procedure.
- Prohibit discrimination in hiring and employment practices including gender, race, religion, age, disabilities and nationalities.
- Prohibit physical abuse and harassment of associates and threats of either.

OCCUPATIONAL HEALTH, WELFARE AND WELLBEING
The welfare and wellbeing of our people is a priority for us. Providing basic amenities such as toilets, canteens, water stations, first aid facilities and rest areas is compulsory at all SunCon work sites.

We are in the process of developing a structured health surveillance programme for our site workers, focusing on over exposure to dust and physical hazards such as noise and vibrations.

Fair Treatment	All people should be treated with dignity and respect and we conduct business in a manner consistent with this principle.
Regulations For All	All applicable employment and human rights regulations are adhered to regardless of where operations are based and suppliers are expected to follow.
Fatigue Management	Construction work is fatiguing and employees cannot work more than four hours overtime. This complies with Section 2 of the Employment (Limitation of Overtime Work) Regulations 1980, Employment Act 1955 which prohibits working more than 104 hours of overtime in any one month, which is equivalent to 26 working days. Excessive working is discouraged as tiredness results in a higher risk of accidents. All associates review and receive annual awareness briefings on this code. These principles form the basis of our human rights risk assessment for existing and potential projects.
Performance	There have been no reported incidents of risks of child, forced or compulsory labour. There were no human rights violations of indigenous people at any time in the Company's history.

SUNCON CENTRAL LABOUR QUARTERS (CLQ) PROVIDE WORKERS' BASIC RIGHTS
SunCon relies on the contribution of its workforce, which includes foreign workers. As a responsible employer, SunCon provides adequate necessities to safeguard the welfare of its workers.

CLQs at a Glance
- Three full-fledged CLQs to house direct workers and subcontractors.
- CLQs accommodate all foreigners.
- Meet all criteria set by the Code of Practice Malaysian Standard for temporary construction site workers' amenities and accommodation.
- CLQs are also equipped with 24-hour CCTV and an on-site clinic.
- Serve as proper rest areas and are equipped with toilets, showers, a cafeteria, a futsal and table tennis court, cooking bays, washing bays and prayer rooms.

SunCon has been collaborating with CIDB on a pioneer programme for the application of MS 2593:2015 (Temporary Site Worker's Amenities and Accommodation Code of Practice). Our Sunway Southern Region CLQ was accredited with this Malaysian Standard in 2016 and the Dengkil CLQ accreditation was received this year. The local authorities inspected the CLQs several times throughout the year and were happy with the state, cleanliness and functionality of the facilities.

SOCIAL: SOCIETY

We are accountable for the socio-economic impact our businesses create and take ownership of the welfare and development of the local community and our value chains.

All community development efforts are championed by the Corporate Communications Department or the SunCon Social Club.

SunCon's corporate responsibility commitment manifests itself through corporate citizenship programmes. This approach to business decisions balances company growth and improving the quality of life of employees, their families as well as communities and societies at large.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

ADDRESSING PUBLIC INCONVENIENCE

We maintain a strong rapport with stakeholders at our project sites and engage effectively with local community members. Feedback is encouraged during site walks and meetings. Authorities are welcomed during their regular inspection visits. Those wishing to raise their concerns may do so through our Investor Relations email contact.

CORRUPTION AND FRAUD

Corrupt practices are operationally defined as the misuse of entrusted power for private gain. Corruption includes bribery, fraud, money laundering, embezzlement, obstruction of justice and trading in influence. SunCon places great emphasis on anti-corruption and anti-bribery. The Company ensures that its firm stand against corruption and bribery is communicated to all employees.

Gifts That Are Permitted but Should Be Accepted with Caution

- Inexpensive non-cash 'token' gifts.
- Occasional, customary gifts during festive or special occasions.
- Gifts from social events attended by directors or employees.
- Infrequent and moderate business meals and entertainment with clients.
- Infrequent invitations to attend local social events and celebratory meals with clients.

Our Strict Enforcement of Corrupt Practices

✗

1. Corrupt activities prohibited in the public or private sectors.
2. Offering, giving, requesting, accepting or receiving any bribes including facilitation payments is prohibited.
3. Employees must not engage in fraudulent acts or dishonest conduct involving property or assets or in the financial reporting and accounting of SunCon or its third parties.

✓

1. Any violations may result in sanctions and/or criminal charges.
2. Employees are responsible for taking appropriate action to understand and comply with the laws, rules and regulations that are applicable to their positions and work.
3. Employees found to have committed bribery are subject to disciplinary action that could result in termination.
4. Board oversees the Company's anti-corruption policies and compliance, which include bribery.
5. Heads of department and heads of section ensure all employees adhere to the Anti-Bribery Policy.
6. Suspicious acts, on-going investigations and proven cases are presented in Board and Management meetings.

Elements of Anti-Corruption Efforts

- Proportionate procedures
- Top level commitment
- Risk assessment
- Integrity due diligence
- Communication and training
- Monitoring and review
- Enforcement and sanctions

A keen understanding of our corruption risk exposure is the cornerstone and an essential first step in building an effective anti-corruption compliance programme. Corruption risks including bribery are an important element in SunCon's risk register. This helps the Company to properly design mitigation strategies and strategically deploy resources to combat potential instances of bribery, corruption and fraud. This is especially important for operations that are deemed to be 'high risk'.

SunCon's Anti-Corruption Policy Extends to Third Parties

- Anti-corruption policy is communicated to suppliers, contractors, subcontractors, agents, joint-venture companies and third parties that the company works with.
- Every contractor, subcontractor and third-party is subject to a corruption and bribery risk assessment.
- All third parties must sign a declaration that they are not involved in any corrupt, unethical misconduct and illegal behaviour.
- New and existing business partners are screened for corruption and bribery is part of due diligence in the context of SunCon's compliance requirements.

A keen understanding of our corruption risk exposure is the cornerstone and an essential first step in building an effective anti-corruption compliance programme. Corruption risks including bribery are an important element in SunCon's risk register. This helps the Company to properly design mitigation strategies and strategically deploy resources to combat potential instances of bribery, corruption and fraud. This is especially important for operations that are deemed to be 'high risk'.

SOCIAL: PRODUCT RESPONSIBILITY

PROJECT SAFETY IS PUBLIC SAFETY

Whether delivering a project in a densely-populated city or a remote town, the line between a project and public safety is often blurred. Our strong safety record demonstrates our unwavering commitment to preventing incidents on every job site. We also proactively engage with local authorities, communities and businesses to advance existing public-safety systems. Building local safety-promoting capabilities helps us achieve our goal of zero incidents. It is also an important enabler of social progress in the areas and communities where we operate.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

QUALITY

A CLIENT / CONSULTANT SATISFACTION SURVEY

Achieved an average score of **75.7%**

Recorded a satisfaction rate of **96.7%**

Achieved a response rate of **99.2%**

B PRODUCT QUALITY

Achieved an average QLASSIC score of **77.2%**

C UPGRADING QUALITY MANAGEMENT SYSTEM (QMS) CERTIFICATION

Sunway Construction Sdn Bhd, Sunway Concrete Products Pte Ltd and Sunway Precast Industries Sdn Bhd have been successfully upgrading their QMS certifications to ISO 9001:2015, from the previous of ISO 9001:2008.

ACHIEVEMENT HIGHLIGHTS 2017

We are passionate about excellence and doing our work right the first time. Our reputation depends on delivering value in the eyes of every stakeholder. We measure, monitor, analyse and improve productivity, processes, tasks and ourselves to satisfy clients and our own high expectations.

Delivering quality products and services allows us to maintain our excellent reputation and market standing. Quality management is emphasised to ensure that our projects comply with relevant specifications and regulations.

Subcontractors, technical consultants and other building professionals are required to have relevant experience and proven track records. Regular inspections are performed at each construction stage to ensure adherence to the specifications as well as the prescribed procedures and methods.

We introduced an integrated Quality, Environmental, Safety and Health (QESH) Management System in 2009. This integrated management system conforms to the international standards such as ISO 9001, ISO 14001 and OHSAS 18001. It optimises resources and standardises processes throughout SunCon for both domestic and overseas projects.

Our products and services are well defined at each stage of construction in terms of quality, environmental, safety and health requirements.

SunCon's in-house Quality Assurance Support Team (QAST) assists the project team on quality assurance requirements. Instrumentally, the team upgraded SunCon's ISO 9001 certification to the 2015 version in 2017.

Audit HQ
Bureau Veritas ISO 9001:2015 Certification Audit at Head Office

BV Site Audit
Bureau Veritas ISO 9001:2015 Certification Audit at MRT V201 project

BV Closing
Bureau Veritas ISO 9001:2015 Certification Audit Closing Meeting

SOCIAL: PRODUCT RESPONSIBILITY (CONT'D)

Standards and Certifications

DIVISION	SCOPE	STANDARDS	DATE AWARDED (CURRENT STANDARDS)
Sunway Construction Sdn Bhd	Provision of design management and construction services for building and civil engineering works	ISO 9001:2015 OHSAS 18001:2007 ISO 14001:2004	1 June 2017 16 June 2015 16 June 2015
Sunway Geotechnics Sdn Bhd	Provision of design management and construction services for geotechnical engineering works	ISO 9001:2008 ISO 14001:2004 OHSAS 18001:2007	16 February 2015 16 February 2015 16 February 2015
Sunway Engineering Sdn Bhd	Provision of design management and construction services for mechanical, electrical and information technology engineering works	ISO 9001:2008 ISO 14001:2004 OHSAS 18001:2007	21 December 2011 21 December 2011 27 October 2015
Sunway Concrete Products Pte Ltd	Design, production and supply of precast components	ISO 9001:2015 OHSAS 18001:2007 ISO 14001:2004	8 November 2017 30 October 2017 29 October 2014
Sunway Precast Industries Sdn Bhd	Design, production and supply of precast components	ISO 9001:2015	1 November 2017

ISO 9001:2015 SIRIM QAS Certificate

ISO 9001:2015 Bureau Veritas – BV UKAS Certificate

ISO 9001:2015 Sunway Concrete Products (S) – SCPS Certificate

ISO 9001:2015 Sunway Precast Industies Certificate

KAIZEN

We are committed to promoting a culture of Kaizen, or continuous improvement, in the provision of high-quality products and services. Kaizen activities were self-driven initiatives in 2017. Employees were encouraged to put forward their ideas for improvement in their daily work, carry out improvements and celebrate the successes.

A simple communication tool and problem-solving technique, A3 Report, is employed for all Kaizen activities. The elements follow one another in a logical sequence and help Kaizen teams identify the root cause of the issues and resolve them systematically.

A3 Report Kaizen Steps

- **STEP 1** → Background & Current Situation
- **STEP 2** → Set Goals & Target
- **STEP 3** → Conduct Root Cause Analysis
- **STEP 4** → Develop Action Plan
- **STEP 5** → Implement Solution
- **STEP 6** → Measure, Compare Results & Follow Up Action

Kaizen teams are able to present their successfully implemented Kaizen activities and results to the Top Management who may choose to incorporate them into SunCon's standard practices.

Examples of Kaizen Activities Implemented in 2017
- Bore Pile Management System.
- Optimising use of aluminium formwork for service apartments to achieve cycle time and cost savings.
- To maintain zero larvae pledge at site.
- To raise awareness of latest policies & company activities among Southern Region staff.
- To reduce time taken in drawing distribution from SunCon to external and internal parties.
- To reduce cost of pier rectification work at MRTV201 project.

SUNWAY QUALITY MERIT SYSTEM (SQMS)

SQMS Covers

QLASSIC/CONQUAS Requirements
To measure product workmanship.

ISO 9001 Standards
To measure the effectiveness of inspections and tests, and document/ record management practices.

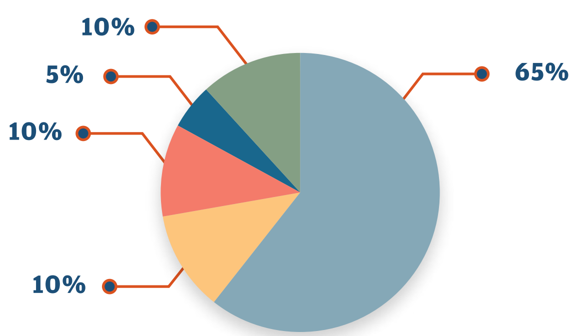
The SQMS Team Helping The Project Team Prepare For The Actual QLASSIC Assessment by the CIDB Assessor

SOCIAL: PRODUCT RESPONSIBILITY (CONT'D)

SUNWAY QUALITY MERIT SYSTEM (CONT'D)

SQMS scores are used to benchmark the quality of all SunCon projects. Monthly SQMS assessments for all projects cover all trades including piling, reinforced concreting, precast installations, steel structures, brickwork, plastering, painting and other architectural finishing works.

Five SQMS Criteria Assessed and Their Weightages



Product Quality
- Workmanship **60%**
- Material Use **5%**

Inspection and Test – 10%

Response to Complaints
- NCR Closure Rate **7%**
- Site Memo/ Complaints **3%**

Quality Infrastructure
- Sample Display **1%**
- Cube Collection Area **2%**
- Material Storage Condition **2%**

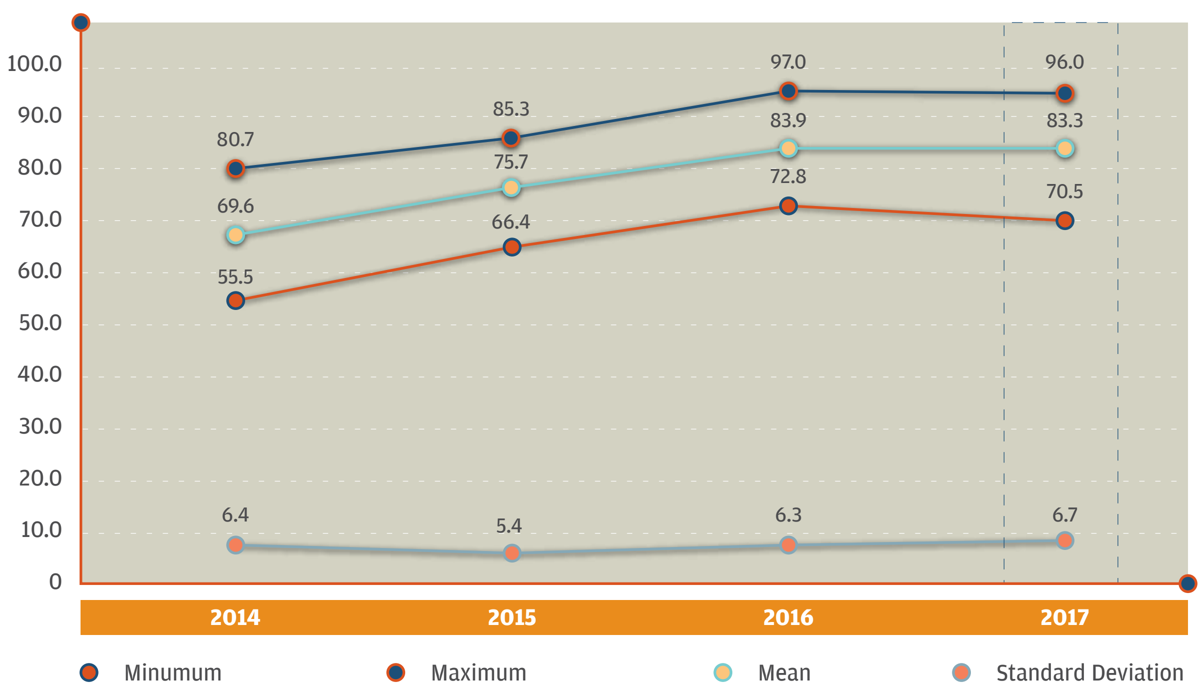
Document & Record Management – 10%

In 2017,

The weightage of the assessment categories was modified slightly: workmanship increased from **55% to 60%** and Document Management reduced from **15% to 10%.**

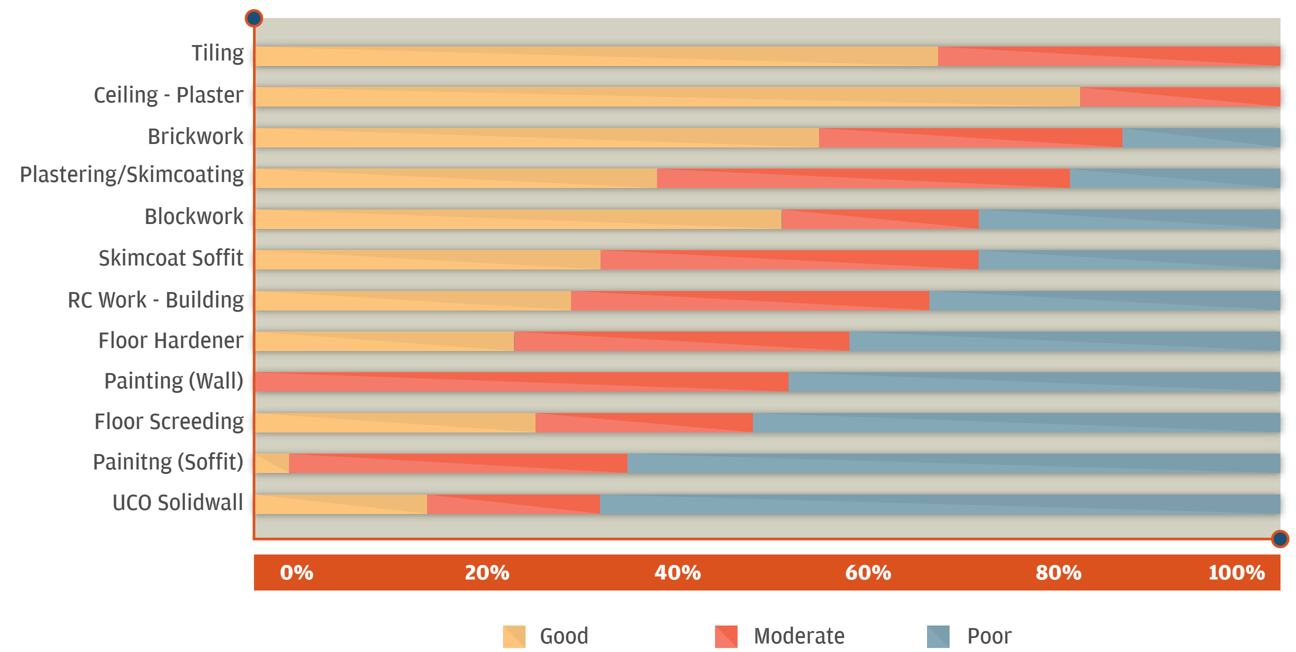
This increased focus on physical workmanship was introduced to improve quality standards. In addition to NCR closure rate, SQMS now includes 'Site Memo/Unattended Complaint' to ensure all complaints received from the client are addressed.

Yearly Comparison of SQMS Score



Overall SQMS shows a good improvement with an average score of 83.3% achieved in 2017 compared to 69.6 % in 2014.

Workmanship Rating in 2017



We also produce a snagging list and pre-QLASSIC assessment towards the end of a project. This process also allows us to identify any outstanding or defective work as well as the project's strengths and weaknesses so we can advise on the upcoming QLASSIC assessment.

QLASSIC Assessments in 2017

PROJECT	ASSESSMENT DATES	SCORE (%)
Lenang Heights	19 - 21 April 2017	85
Sunway Medical Centre 3	19 April 2017	77
Citrine (Retail and Office Lots)	18 August 2017	73
Velocity Hotel	14 September 2017	79
CP3 (Retail and Office Lots)	14 September 2017	72

Preparatory Works For QLASSIC Assessment by CIDB at Lenang Heights Project

SOCIAL: PRODUCT RESPONSIBILITY (CONT'D)

Internal Inspection Prior to QLASSIC Assessment by CIBD Assessors and Task Force Workers At Lenang Heights Project

CIBD's QLASSIC Assessors Working In A Buddy System Inspecting Principal, Service and Circulation Area At Lenang Heights Project

Welcome Ceremony and Photo Session Between CIBD's QLASSIC Assessors and Lenang Heights Project Team

ENSURING SATISFACTION

The satisfaction of our clients and partners is an important prerequisite for our long-term success. Satisfying their individual needs and varied requirements requires continuous work to improve our products and services.

We want to build long-term relationships and ensure our clients and partners place their trust in us. This is achieved by working together and maintaining open, face-to-face dialogue. We update all clients throughout the construction progress and keep customers engaged by:

- Fully explaining each step
- Answering all questions
- Offering clear and understandable options
- Ensuring the project follows the schedule within budget

SunCon monitors clients' perceptions to ensure their requirements have been met. Information is obtained through:

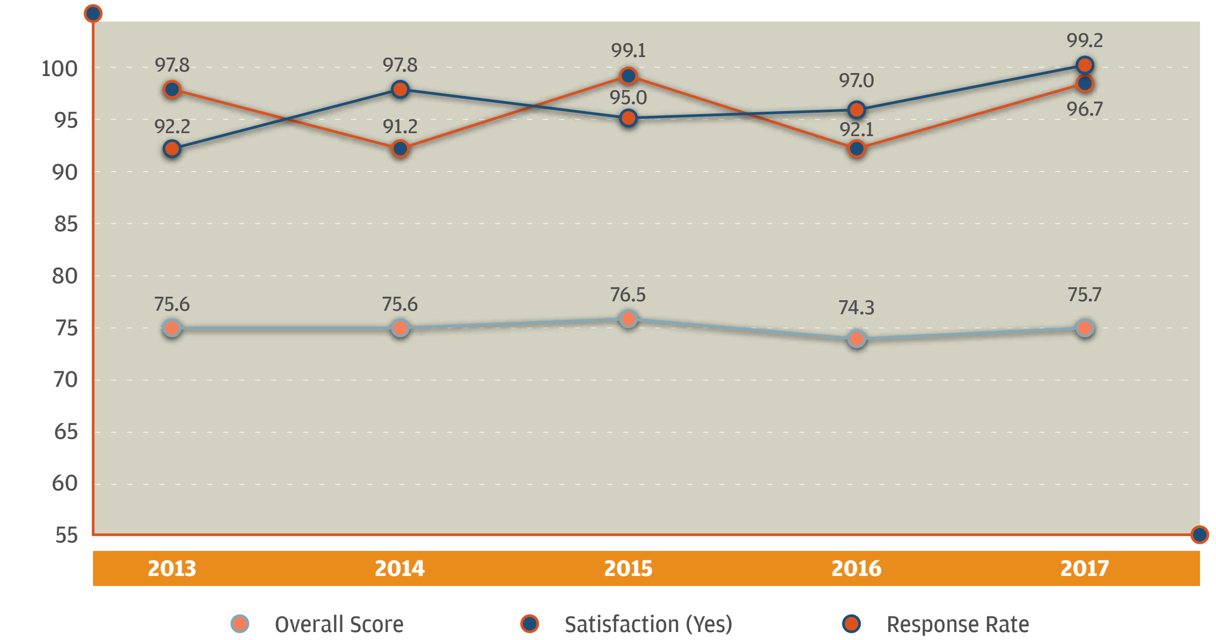
- Client complaints during the defect liability period;
- Annual client/consultant satisfaction surveys; and
- Client comments during the construction stage.

SunCon continues to operate a customer-driven operation. We conduct client/consultant satisfaction surveys at the end of each year. This survey allows clients and consultants to assess the different aspects of our service.

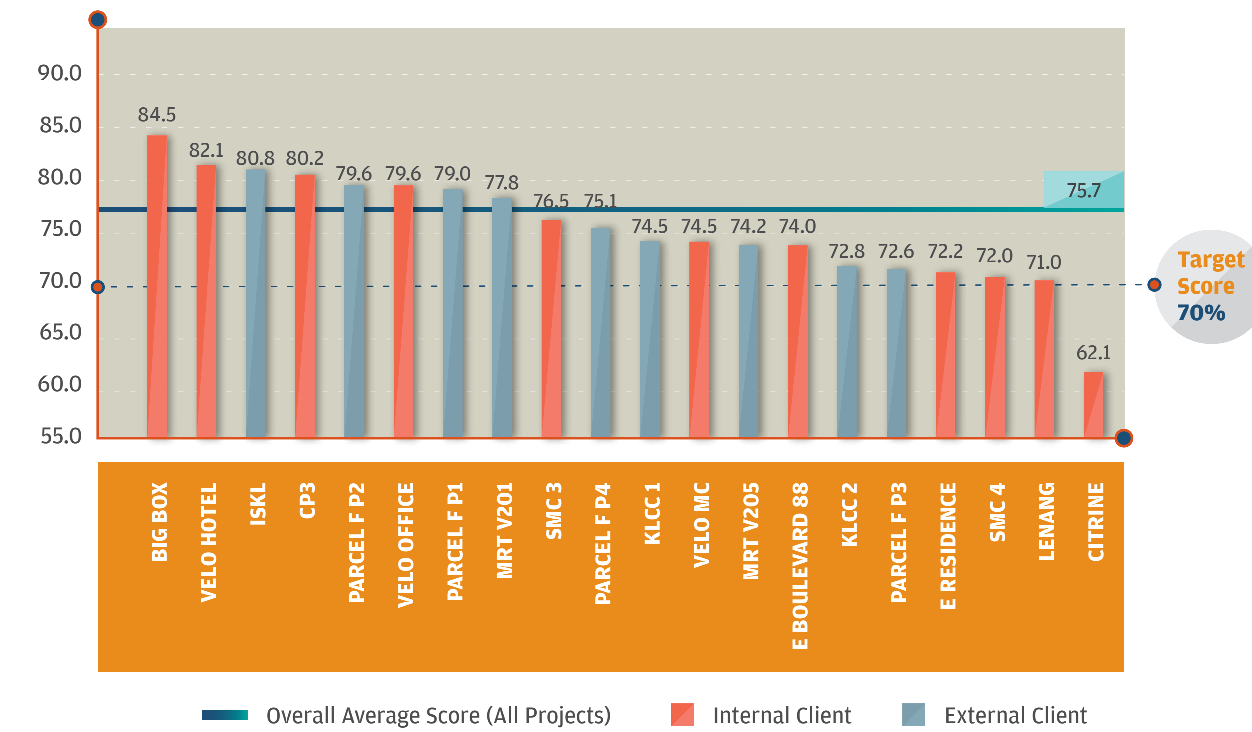
Factors Rated in the Customer Satisfaction Form

- Quality of work
- Planning
- Job knowledge
- Timely completion
- Responsiveness to instructions and concerns
- Manpower, plant and material resources
- Environmental, safety and health
- Communication
- Subcontractors performance
- Overall performance

Clients and Consultants Satisfaction Scores for the Past Five Years



Client/Consultant Satisfaction Survey Performance by Projects



SunCon Hotline

SunCon Hotline was introduced in 2017 to serve as the first point of contact for the public. There were 57 complaints received in 2017. Each complaint received must be addressed in 30 minutes and to ensure that the case is close with a solution and rectification is done within the given time frame depending on the nature of the complaint. These are the KPIs set by Project Delivery Partner (PDP) for MRT and LRT projects. As at 31 December 2017, SunCon met both KPIs with the average rectification period of 7 days.

SOCIAL: PRODUCT RESPONSIBILITY (CONT'D)

SUNCON HOTLINE

WE WANT TO HEAR FROM YOU!

As Sunway Construction embarks on its journey of sustainability, we are working harder than ever to ensure that we hear from our stakeholders and provide support in any way we can.

In doing so, we have launched the **SunCon Hotline Whatsapp** service that serves as the first contact point to reach us 24/7.

If you live near our projects, share your experience with us!

Snap a picture and send a message to

SunCon Hotline Whatsapp Service

019 328 6115

We value feedback from our stakeholders to help us improve as a responsible and sustainable construction corporation.

SUNWAY® CONSTRUCTION

SOCIAL

WHAT TO EXPECT IN 2018

1

We will **REINFORCE** our desired leadership behaviors in our managers and employees to inculcate a culture of accountability, ownership and engagement to create a more empowering and energising work environment.

2

We will **STRENGTHEN** our organisational alignment and objectively recognise the contributions and impact of individuals through a more robust and progressive performance management framework.

3

We will **ENHANCE** organisational productivity through more robust workforce planning and deployment of our people for the right job at the right time.

4

We will strengthen our strategic talent acquisition processes to enhance our talent pipeline and **ENSURE** we hire people with the right fit.

5

Towards achieving operational excellence, we will **BUILD** core and critical capability and competencies (technical and leadership) of our people through more holistic and personalised career development interventions.

SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABLE DEVELOPMENT GOALS

As a subsidiary of Sunway Berhad, Sunway Construction is committed to **15 of the 17** United Nations' Sustainable Development Goal (SDGs). We strive to provide a greater and more positive impact to each goal. We are unable to commit to the other two goals due to our nature of operations. We will continue to uphold our parent company, Sunway Berhad's commitment to the remaining goals.

ZERO HUNGER & NO POVERTY

- Build a Home – Run for a cause to build homes for *Orang Asli* in Gopeng, Perak.
- Light for Life – Through MBAM, we raised the standards of the *Orang Asli* Community in Belum, Perak.
- iM4U fm Fabrik Kasih bersama Sunway 2017 – Initiative by iM4U fm in collaboration with Sunway Group. SunCon contributed by performing light refurbishment work on three homes across Klang Valley.

GOOD HEALTH AND WELL BEING

- Comprehensive health screening for staff.
- Promote worklife balance and emphasise employees' well-being. Our Employee Engagement Score improved from 59% in 2015 to 69% in 2017.
- SunCon Social Club – employees have a variety of activities for teambuilding and social interaction.

QUALITY EDUCATION

- Established a Training Academy that is accredited by the Department of Skills Development (Jabatan Pembangunan Kemahiran) under the Ministry of Human Resources Malaysia that delivers certified technical training for heavy construction machinery mechanics.
- Encourage self-improvement with study leave.
- 12 JPA graduates have joined us under the Scholarship Talent Attraction & Retention (STAR) Programme by Talentcorp.
- We have built strong collaborative partnerships with public-private universities and polytechnic schools.
- Formulated BUILD FLM which is designed to engage learners through self-assessment, group discussions, case study, debate, video examples, experiential exercises and peer learning.

GENDER EQUALITY

- Equal opportunity given resulting in men and women receiving similar pay despite being in a male-dominated industry.
- Representation of women on the Board of Directors and in Top Management.

CLEAN WATER AND SANITATION *

AFFORDABLE AND CLEAN ENERGY

- Green energy – installation of a solar PV system around Sunway City.

DECENT WORK AND ECONOMIC GROWTH

- CLQ provides direct workers with nice and clean accommodation.
- SunCon supports the country's vision of building the infrastructure landscape by participating in the LRT 2: Package B Kelana Jaya and LRT 3, MRT Line 1 and Line 2 and BRT Sunway.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

- System formwork use has reduced cycle time and timber wastage.
- IBS technology used by the precast segment will improve quality and reduce construction time.
- Publish the QLASSIC quality monitoring system score against the industry average rating.
- Employee 3D to 6D Virtual Design and Construction (VDC) in our construction that changes the landscape of the way construction is done traditionally.

REDUCE INEQUALITY

- Equal opportunity provided for all races and meritocracy is promoted.
- Culturally diverse employees.
- Managing excellence for employees in which bonuses and increments are based on verifiable and quantifiable KPI/KRA.

SUSTAINABLE CITIES AND COMMUNITIES

- Promote green building construction eg, Parcel F, Putrajaya (GBI - Gold) and International School of Kuala Lumpur (GBI - Platinum).
- SunCon's involvement in Program Skim Latihan 1Malaysia (SL1M), an employability enhancement initiative championed by Economic Planning Unit (EPU) under the Prime Minister's department. This programme aims to provide a platform for specific targeted groups of university degree graduates who are either unemployed or come from poor families or rural areas.

RESPONSIBLE CONSUMPTION AND PRODUCTION

- Social Supply Chain : Usage of block works vs red bricks which are more environmentally-friendly.
- Proper management of construction waste by recycling.
- Good Safety initiative to ensures staff working at construction site are aware of risk surrounding them and potential risk prone areas are well managed.
- Good Dengue prevention programme at all sites.
- Foreign workers are fairly remunerated and do not perform excessive overtime to prevent fatigue.
- 100% of our sites are ISO 14001 certified.

CLIMATE ACTION

- Machines utilised at project sites are mostly less than 10 years old and regular service to reduce carbon emissions.
- A more environmentally-friendly diesel. Euro5 Diesel, a technologically-advanced fuel with zero emissions is used for a sustainable cleaner environment.

LIFE BELOW WATER *

LIFE ON LAND

- Plant a Tree Event in conjunction with World Town Planning Day.
- PJKITA, a community initiative by MBPJ, aims to achieve sustainable, creative and community-driven city and bring communities together.

PEACE, JUSTICE AND STRONG INSTITUTION

- Advocate of reporting transparency, recognised by Malaysian Institute of Corporate Governance, achieving 4th place out of the top 100 public-listed companies in 2017.
- Good corporate governance practices recognised by winning industry excellence award under MSWG-ASEAN Corporate Governance award 2016 & 2017.
- Strong and diverse of Board of Directors.
- FTSE4Good inclusion is a testament to our sustainable goals initiatives.

PARTNERSHIP FOR THE GOALS

- Good investor relations (IR) division provides shareholders with a proper channel of communication. We won 3 categories under MIRA award in 2016 and were nominated in several categories in 2017.
- Annual customer satisfaction survey and subcontractor/supplier survey are conducted to obtain feedback and improve our service offering.
- Common hotline for all projects to obtain feedback from stakeholders affected by our construction activities.
- Through our involvement in MBAM, we demonstrate our dedication to promoting and developing the construction industry in Malaysia.

** Due to the nature of our business, SunCon does not have much involvement in 2 specific pillars, i.e **Clean Water and Sanitation** & **Life Below Water.** In the longer term, SunCon will attempt to support these 2 SDG goals.*

GOVERNANCE WITH INTEGRITY

VIRTUES SPARKED FROM QUALITY EXPERTISE

A system that is guided with integrity is a system that guarantees quality. This is one of the many virtues that inspire and enable us to guide our path to success.

THE GOVERNANCE FRAMEWORK OF SUNWAY CONSTRUCTION GROUP BERHAD

The Board operates within the following governance framework in order to systematically fulfil its roles and responsibilities under the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and all other relevant laws and regulations. Relevant Board Committees are empowered by the Board to assist the Board in providing oversight over specific aspects of the governance process.

Board of SunCon

4 Independent Non-Executive Directors

2 Non-Independent Non-Executive

1 Managing Director

Audit Committee

Chairman
Dato' Siow Kim Lun

4 Independent Non-Executive Directors

Risk Management Committee

Chairperson
Dr Sarinder Kumari

4 Independent Non-Executive Directors

1 Non-Independent Non-Executive Director

Nomination and Remuneration Committee

Chairman
Dato' Dr Ir Johari Basri

4 Independent Non-Executive Directors

1 Non-Independent Non-Executive Director

Managing Director

KEY FUNCTIONS

Audit Committee

- Assist Board in overseeing and monitoring internal control systems, financial and accounting reporting, compliance, operation and financial risk management.

Risk Management Committee

- Ensuring sound system of risk management and internal controls.
- Determining and identifying key material risks with quantifiable impact to bottom line.
- Setting risk tolerance levels within the Group in achieving Group's Strategic Goals.

Nomination and Remuneration Committee

- Evaluating Board and Board Committees' effectiveness including Independent Directors performances and contributions.
- Ensuring Independent Non-Executive Director continuing independence.
- Reviewing board size, composition and training needs of directors.
- Setting selection criteria for appointment of new director and evaluating performances of retiring Directors and recommending their re-election.
- Ensuring management succession planning.
- Reviewing performances of Managing Director and key senior management against a set of key performance indices using the balanced score cards.
- Reviewing the Group Remuneration Policy to ensure competitive compensation in order to incentivise management towards achieving annual and long term sustainable growth.

Managing Director

- Responsible for meeting the Group's business performance targets and implement Board strategy and policy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (Board) of Sunway Construction Group Berhad (Company) aspires to uphold good corporate governance in all that it does. The Company will continue to place emphasis on ensuring responsible and sustainable business practices as well as adhering to the highest levels of corporate integrity throughout the Company and its group of subsidiaries (Group) in line with our core values of integrity, humility and excellence.

The Group is committed to the United Nations Sustainable Development Goals (SDG), and continues to align its business strategies to meet the needs of its communities in line with the SDG agenda. The Group's commitment to strong Economic, Environment and Social practices is embedded throughout the organisation – from its policies and social impact initiatives to day-to-day operations so that it delivers enduring growth for thriving communities. The ultimate objective is to achieve good financial performance of the Group in order to fuel long term sustainable growth and thereby, enhancing shareholders' value.

This Corporate Governance Overview Statement provides an overview on how the Company has applied the Principles and the extent of compliance with the recommendations of good corporate governance as set out in the 2017 edition of the Malaysian Code on Corporate Governance (CG Code) throughout the financial year ended 31 December 2017 and up to the date of this annual report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board aspires to create value for the shareholders and ensure long term success of the Group by focusing on formulation of appropriate strategy, business model, risk tolerance, management succession planning and development of competitive compensation plan. It also seeks to align the interests of the Board and Management with that of shareholders and balance the interests of all stakeholders. In addition, the Board sets the principles of business ethics and core values for the entire Group.

The Board oversees the entire business affairs of the Group. It is responsible for formulating and reviewing the Group's strategic plan and direction, performance objectives, business plans of each operating units, budgets, capital expenditures, investment proposals, compliance and accountability systems, core values and corporate governance practices of the Group to ensure that the Group operates with integrity and in compliance with the rules and regulations. The Board also appoints the Managing Director, approves policies and guidelines on remuneration as well as the remuneration for the Board and key Senior Management, and approves the appointment of Directors. In ensuring management continuity, the Board also oversees the long term succession planning for Senior Management.

In discharging its roles and responsibilities, the Board is guided by its Board Charter which outlines the duties and responsibilities of the Board and the delegated day-to-day management of the Group to the Managing Director. This formal structure of delegation is further cascaded by the Managing Director to the management team. The Managing Director and management team remain accountable to the Board for the authority that is delegated and for the performance of the Group. The Board Charter has been reviewed by the Board on 20 November 2017 and 10 January 2018 to be in line with the CG Code.

There is a clear segregation of roles and responsibilities between the Chairman and the Managing Director in order to ensure a balance of power and authority as defined in the Board Charter.

The Chairman provides leadership to the Board and guidance to the Group. He chairs the board meetings, sets the agenda items, promote active engagement among Directors as well as between the Board and the Managing Director. He ensures the smooth functioning of the Board including the effectiveness of the overall governance systems and processes. The Managing Director is subject to the control of the Board and focuses on the Group's businesses and manages the day-to-day operations of the Company as well as implements the Board's decisions. The positions of the Chairman and Managing Director are held by different individuals.

In respect of potential conflicts of interest, the Board is satisfied that there is no undue influence involved in all related party transactions. All such transactions were independently scrutinised by the Audit Committee to ensure that they complied with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) and the shareholders' mandate on recurrent related party transactions. All potential conflicts of interest were disclosed to the Board and recorded in the minutes with interested Directors abstaining from all deliberations and decision making.

The Independent Non-Executive Directors regularly engage in discussion with senior management, Internal Audit Department (IAD), Risk Management team, External Auditors and other relevant parties to ensure that the concerns and issues raised in regard to the business operations of the Group are properly addressed on a proactive basis.

The Board also delegates certain responsibilities to the Board Committees, all of which operate within their defined terms of reference. Notwithstanding this, the Board remains responsible for its fiduciary duties.

The Board has a formalised code of conduct and business ethics policy (Code) which provides an ethical framework to guide actions and behaviors of all Directors and its employees while at work.

The Senior Independent Director is appointed to co-ordinate the activities of the Independent Non-Executive Directors in circumstances where it would be inappropriate for the Chairman to serve in such capacity. He also assists the Chairman and the Board to assure effective corporate governance in managing affairs of the Board and the Company. He will also be available to shareholders if they have concerns relating to matters that contact through the Chairman, Managing Director or Chief Financial Officer has failed to resolve, or where such contact is inappropriate.

The Company also has in place a Whistleblowing Policy and Procedures. The objective of this policy and procedure is to provide a mechanism for all level of employees and stakeholders of the Group to report concerns about any suspected wrongdoing, inappropriate behavior or misconduct relating to fraud, corrupt practices and/or abuse on a timely basis for management action.

Any employee or member of the public who has knowledge or is aware of any improper conduct within the Group is encouraged to disclose through the following reporting channels:

Whistleblowing hotlines
T (603) 5639 8025
F (603) 5639 8027
E whistleblowing@sunway.com.my

Further details of the Code of Conduct and Whistleblowing Policy and Procedures are set out in the Corporate Governance Report (CG Report). The Code, Whistleblowing Policy and Procedures, as well as the CG Report are available at the Company's website at www.sunwayconstruction.com.my.

In addition, all Directors have direct access to the advice and services of the Company Secretaries. The Company Secretaries attends all Board meetings and are accountable directly to the Board, through the Chairman of the Board, on all matters to do with the proper functioning of the Board, including compliance with the Company's Constitution, Companies Act 2016, Main Market Listing Requirements of Bursa Securities, the Securities Commission Guidelines, etc. The Company Secretaries are associate members of the Malaysian Institute of Chartered Secretaries and Administrators. The appointment and removal of the Company Secretaries is subject to approval of the Board. All Directors, whether as a full Board or in their individual capacity, have the authority to obtain independent professional advice, when necessary, at the Company's expense.

All Independent Non-Executive Directors have access to the Managing Director and/or senior management should there be any explanations or clarifications needed on any aspects of the Group's operations or management issues.

BOARD COMMITTEES

The Board has set up the following committees and will periodically review their terms of reference and operating procedures. The Board Committees are required to report to the Board on all their deliberations and recommendations, if any. Such reports are also incorporated into the minutes of the Board Meetings.

a) Audit Committee

The details are disclosed under Principle B: Effective Audit and Risk Management.

b) Nomination Committee

The Board had on 10 January 2018 combined the Nomination Committee and Remuneration Committee into a single committee namely, Nomination and Remuneration Committee. The Nomination and Remuneration Committee comprises majority of Independent Non-Executive Directors. The Chairman of Nomination and Remuneration Committee is Dato' Dr Ir Johari Bin Basri. The other members of the Committee are Dato' Ir Goh Chye Koon, Dato' Siow Kim Lun, Dr Sarinder Kumari and Dato' Chew Chee Kin. Dr Sarinder Kumari was appointed as a member of the Nomination and Remuneration Committee on 1 March 2018. The terms of reference of the Nomination and Remuneration Committee is available at the Company's website at www.sunwayconstruction.com.my.

Prior to the above changes and in the financial year 2017, the then Nomination Committee was chaired by Dato' Ir Goh Chye Koon. The other members were Dato' Siow Kim Lun, Dato' Dr Ir Johari Basri and Dato' Chew Chee Kin.

The main role of the then Nomination Committee was to ensure that the Board comprises Directors with appropriate skills, knowledge, expertise and experience, as well as to ensure a proper balance of Executive Directors and Independent Non-Executive Directors.

In discharging its responsibilities, the Nomination Committee has developed a set of criteria used for recruitment and for annual Board assessment. In evaluating the suitability of the Board members, the Nomination Committee considers, inter alia, the competency, experience, commitment, contribution and integrity of the candidates. In the case of candidates proposed for appointment as Independent Non-Executive Directors, the Nomination Committee would also assess the candidate's independence in accordance with Paragraph 1.01 and Practice Note 13 of the Main Market Listing Requirements of Bursa Securities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD COMMITTEES (CONT'D)

b) Nomination Committee (cont'd)

During the financial year 2017, four (4) meetings were held to deliberate on the following matters:

(i) At the meeting held on 23 February 2017, the Nomination Committee deliberated on the following matters:

- Reviewed the results of the Board effectiveness assessment, Board Committees assessment, Audit Committee assessment, assessment of Independent Non-Executive Directors and Director's peers review for the financial year 2016. Based on the aforesaid assessments, the Nomination Committee was satisfied with the effectiveness and performances of the Board, Board Committees and the individual Directors.
- The Committee reviewed and was satisfied with the existing size, structure and composition of the Board and Board Committees.
- The Nomination Committee evaluated and was satisfied with the competencies and time commitment of the Board members as well as the independence of the Independent Directors. The Independent Directors had individually confirmed their continued independence in accordance with the Main Market Listing Requirements of Bursa Securities.
- Having discussed the training requirements of the Directors, the Committee encouraged the Board members to attend specific training programmes in order to keep themselves abreast with the rapidly changing regulatory environment and financial reporting standards.

(ii) At the same meeting held on 23 February 2017, the Nomination Committee also assessed the performances of the following retiring Directors for re-election at the Third Annual General Meeting of the Company held on 15 June 2017:

- Dato' Ir Goh Chye Koon, Dato' Siow Kim Lun and Dato' Dr Ir Johari Bin Basri were subject to retirement by rotation pursuant to Article 107(1) of the Company's Articles of Association.
- Tan Sri Datuk Dr Rebecca Fatima Sta Maria, who was due for retirement pursuant to Article 90 of the Company's Articles of Association.

All the above Directors offered themselves for re-election. Based on the peer review assessment of the retiring Directors, the Nomination Committee subsequently recommended them to the Board and shareholders for re-election at the Third Annual General Meeting of the Company held on 15 June 2017. The resolutions to re-elect the said Directors were subsequently approved by the shareholders at the Annual General Meeting.

(iii) At the meeting held on 21 March 2017, the Nomination Committee reviewed and endorsed the Nomination Committee report to be included in the Company's Annual Report 2016. It also assessed the performances of Dato' Chew Chee Kin, aged above 70 years and under Section 129 of the Companies Act, 1965, had to vacate office at the Third Annual General Meeting.

Based on the peer review assessment of Dato' Chew, the Nomination Committee subsequently recommended him to the Board and shareholders for re-appointment at the Third Annual General Meeting of the Company held on 15 June 2017. The resolutions to re-appoint the Dato' Chew was subsequently approved by the shareholders at the Annual General Meeting.

(iv) At the meeting held on 24 August 2017, the Nomination Committee reviewed and approved the methodology for evaluation of Board Effectiveness, Board Committees effectiveness as well as assessment of the Independent Non-Executive Directors and Directors' Peers Review.

(v) On 20 November 2017, the Nomination Committee was updated on management succession plan by the HR General Manager. The potential successors to each key management position in the organization was tabled for consideration. The Nomination Committee received assurance that all candidates appointed to the senior management positions were of sufficient calibre and there was a plan in place to track their readiness in order to provide orderly succession of senior management.

The Group Human Resource Department has a systematic program to identify, train/mentor the next echelon of future leaders. The Nomination Committee conducts an annual talent review with the HR General Manager as well as reviewing succession planning for key management positions across all business units. The identified successors for top management will be presented to the Committee for review and endorsement on an annual basis. Currently, all senior management positions have successors in one or more of these stages in the pipeline i.e. ready now, ready soon or ready later.

The Nomination Committee had also reviewed its terms of reference to be in line with the CG Code and approved its schedule of meetings for 2018.

At the same meeting, the Nomination Committee also reviewed the position of Senior Independent Director. Having examined the role of Senior Independent Director, the Nomination Committee recommended that Dato' Dr Ir Johari Bin Basri be designated as the Senior Independent Non-Executive Director in place of Dato' Ir Goh Chye Koon, who is also the Chairman of the Board. The aforesaid recommendation was subsequently approved by the Board.

The Nomination Committee had also deliberated and recommended that the Nomination Committee be combined with the Remuneration Committee into one committee in order to improve efficiency. The combined committee renamed Nomination and Remuneration Committee was thereafter approved by the Board in January 2018.

The attendance of the Committee Members during financial year 2017 are as follows:

NAME OF NOMINATION COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED
Dato' Ir Goh Chye Koon	4/4
Dato' Siow Kim Lun	3/4
Dato' Dr Ir Johari Bin Basri	4/4
Dato' Chew Chee Kin	4/4

c) Remuneration Committee

The Remuneration Committee has been combined with the Nomination Committee on 10 January 2018. Notwithstanding that, the details of the composition of the then Remuneration Committee, its scope of responsibilities, meetings and summary of activities during the financial year 2017 are disclosed in the CG Report, which is available at the Company's website at www.sunwayconstruction.com.my.

d) Risk Management Committee

The Risk Management Committee was established on 24 August 2017 to oversee the Company's risk management framework and policies. The Committee comprises exclusively Non-Executive Directors. The Committee was previously headed by Tan Sri Datuk Dr Rebecca Fatima Sta Maria as Chairperson. In view of her resignation on 1 March 2018, Dr Sarinder Kumari was appointed as the Chairperson of the Committee on even date. The other members of the Committee are Dato' Ir Goh Chye Koon, Dato' Siow Kim Lun, Dato' Dr Ir Johari Bin Basri and Evan Cheah Yean Shin.

During the financial year, one (1) meeting was held to approve the Group's risk management framework and risk appetite, as well as to discuss the top key risks identified for the Group by the risk management working team.

II. BOARD COMPOSITION

The Board of Directors of the Company comprised majority Independent Directors with an Independent Non-Executive Chairman. It comprises seven (7) members, four (4) of whom are Independent Non-Executive Directors, two (2) are Non-Independent Non-Executive Directors, and a Managing Director.

In accordance with the corporate governance best practices, Dato' Dr Ir Johari Bin Basri was appointed as Senior Independent Non-Executive Director on 20 November 2017, to whom concerns relating to the affairs of the Group may be directed at. He serves as the point of contact between the Independent Non-Executive Directors and the Managing Director on matters that may be deemed sensitive and the designated contact to whom the shareholders may direct their concerns or queries.

The Board recognised the benefits of having a diverse Board for a well-functioning leadership team to strengthen its strategy formulation and risk management by adding varying perspectives and insights. This will enhance the overall credibility of the Group.

The Board composition reflects a mix of suitably qualified and experienced professionals in the fields of accountancy, banking and finance, economics, human capital development, international trade, civil and mechanical engineering, construction, safety and health, property management, building material, trading, manufacturing, quarrying, and general management. This combination of different professions, experiences and skills working together enables the Board to effectively lead and control the Company. A brief profile of each Director is presented on pages 31 to 35 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

II. BOARD COMPOSITION (CONT'D)

The Board through the Nomination and Remuneration Committee conducts an annual review of the size, structure and composition of the Board, competency and time commitment of the Board as well as the independence of the Independent Directors. It also undertakes an annual assessment of the Board effectiveness, the Board Committees and the individual Directors via peer assessment. Based on the results of the assessments made, the Board was generally satisfied with the Board effectiveness, the performance of the Board Committees and individual directors.

The Board has a policy whereby an Independent Non-Executive Director who has reached the threshold of 9 years' tenure will be re-designated as Non-Independent Non-Executive Director, unless he or she has obtained shareholders' approval to be retained in the Board as Independent Non-Executive Director. If the Board continues to retain the Independent Director after the twelfth year, annual shareholders' approval must be sought through a two-tier voting process. This is to facilitate the Board renewal and hence, enhancing the effectiveness of the Board.

As at the date of this report, the Board has yet to fulfil the requirement of 30% gender diversity. The Board is cognisant of this requirement and will endeavour to search for suitable and qualified women director to join the Board.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. All Directors have given their full commitment to the Board Meetings by attending all the Board meetings held during 2017. Their meeting attendance at Board and Board committees' meetings is evidenced by the attendance record set out in the table below.

DIRECTORS	BOARD MEETING	AUDIT COMMITTEE MEETING	NOMINATION COMMITTEE MEETING	REMUNERATION COMMITTEE MEETING	RISK MANAGEMENT COMMITTEE MEETING
Independent Non-Executive Directors					
Dato' Ir Goh Chye Koon	7/7	5/5	4/4	3/3	1/1
Dato' Siow Kim Lun	7/7	5/5	3/4	2/3	1/1
Dato' Dr Ir Johari Bin Basri	7/7	5/5	4/4	3/3	1/1
Tan Sri Datuk Dr Rebecca Fatima Sta Maria (a)	7/7	5/5	N/A	N/A	1/1
Non-Independent Non-Executive Directors					
Dato' Chew Chee Kin	7/7	N/A	4/4	3/3	N/A
Datuk Kwan Foh Kwai (b)	7/7	N/A	N/A	N/A	N/A
Evan Cheah Yean Shin	7/7	5/5	N/A	N/A	0/1
Managing Director					
Chung Soo Kiong	7/7	N/A	N/A	N/A	N/A

Notes: (a) Resigned on 1 March 2018. (b) Resigned on 31 December 2017. (c) N/A means not applicable.

In order to ensure the Directors have sufficient time to fulfil their roles and responsibilities effectively, the Board has agreed that one of the criteria for potential new directors is that they must not hold more than five (5) directorships in public listed companies. This enables them to discharge their duties effectively by ensuring that their commitment, resources and time are more focused. It is incorporated in the Company's Board Charter that a Director is required to seek prior consent from the Chairman of the Board before he or she accepts any new directorship outside the Group. The Company Secretary will monitor the number of directorships and the changes, if any, of each Director and report to the Board during the Board meetings.

The Board recognises the importance of training and development for the Directors to enhance their skills and knowledge to meet the challenges of the Board. The role to review the training and development needs of the Directors has been delegated to the Nomination and Remuneration Committee.

During the financial year, all the Directors had attended various training programmes and seminars organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment.

The training programmes, seminars and workshops attended by the Directors during the financial year were, inter alia, on areas relating to corporate leadership and governance, sustainable development, occupational safety and health, internal audit, fraud risk management, financial services, construction management and development, economic trends, strategic planning, risk management and corporate regulations.

TRAINING PROGRAMMES, SEMINARS AND WORKSHOPS ATTENDED BY DIRECTORS

NAME OF DIRECTORS	COURSE TITLE / ORGANISER	DATE
Dato' Ir Goh Chye Koon	Corporate Board Symposium 2017 *(Malaysian Institute of Accountants)*	25 October 2017
Dato' Siow Kim Lun	Sustainability Forum for Directors/CEOs: The Velocity of Global Change & Sustainability - The New Business Model *(ACCA Malaysia / Talent Corp / Bursa Malaysia)*	10 January 2017
	Sunway Leaders Conference 2017 *(Sunway Group)*	18 March 2017
Dato' Dr Ir Johari Bin Basri	20th Conference and Exhibition on Occupational Safety & Health (COSH) 2017 *(National Institute of Occupational Safety and Health)*	18 & 19 September 2017
	Audit Committee (AC) Leadership Track - Effective Oversight of IA Functions - Are Board in Sync with Regulatory Expectations? *(The Institute of Internal Auditors Malaysia)*	9 October 2017
Tan Sri Datuk Dr Rebecca Fatima Sta Maria (Resigned on 1 March 2018)	Global Think-Tank Summit 2017 *(Asian Development Bank Institute)*	2 to 4 May 2017
	Capital Market Director Programme (Module 1-4) *(Securities Industry Development Corporation)*	15 to 17 May 2017
Dato' Chew Chee Kin	Sunway Leaders Conference 2017 *(Sunway Group)*	18 March 2017
Datuk Kwan Foh Kwai (Resigned on 31 December 2017)	Sunway Leaders Conference 2017 *(Sunway Group)*	18 March 2017
	43rd IFAWPCA Convention Seoul 2017 - Convergence and Stepping Forward *(International Federation of Asian and Western Pacific Contractors' Associations)*	30 May 2017 to 2 June 2017
	Malaysian Construction Summit 2017 @ *(Master Builders Association Malaysia)*	11 April 2017
	Construction Contract Management Conference 2017 @ *(The Chartered Institute of Building Malaysia)*	12 April 2017
Evan Cheah Yean Shin	Sunway Leaders Conference 2017 *(Sunway Group)*	18 March 2017
Chung Soo Kiong	Sunway Leaders Conference 2017 *(Sunway Group)*	18 March 2017
	Professor Baba Shiv Workshop - Designing Solutions for the Human Brain *(Sunway Group)*	5 May 2017
	43rd IFAWPCA Convention Seoul 2017 - Convergence and Stepping Forward *(International Federation of Asian and Western Pacific Contractors' Associations)*	30 May 2017 to 2 June 2017
	Fraud Risk Management Workshop *(Bursa Malaysia Berhad)*	13 July 2017

@ Attended as moderator.

III. REMUNERATION

The Group recognises that in order to attract and retain Directors is to have a fair and comprehensive remuneration package that commensurate with their experience, skills and responsibilities as well as benchmarking against industry's standards. In view of this, the remuneration package for Managing Director and directors' fees for Non-Executive Directors were determined by benchmarking against remuneration packages of relevant position with similar industry and business size. It is structured on the basis of linking rewards to corporate and individual performance. The performance and remuneration package of the Managing Director is subject to evaluation of the Nomination and Remuneration Committee.

For Independent Non-Executive Directors, the level of remuneration reflects their experience, level of responsibilities and industry's benchmark as well as complexity of the Group's businesses. The remuneration of Independent Non-Executive Directors consists of fixed directors' fees per annum and meeting allowances for every Board or Board Committee meeting attended.

The Board as a whole resolves on the fees for the Independent Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. The fees payable to the Independent Non-Executive Directors are subject to the approval of shareholders at the Annual General Meeting.

The details of the Directors' renumeration for the financial year 2017 are disclosed in the CG Report, which is available in the Company's website at www.sunwayconstruction.com.my.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Audit Committee comprises four (4) members who are all Independent Non-Executive Directors. The members of the Audit Committee are Dato' Siow Kim Lun as Chairman, Dato' Ir Goh Chye Koon, Dato' Dr Ir Johari Bin Basri and Dr Sarinder Kumari, who

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

I. AUDIT COMMITTEE (CONT'D)

was appointed as a member of the Committee on 1 March 2018. The Chairman of the Audit Committee is not the Chairman of the Board.

The Company has a policy requiring a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee.

In the assessment and selection of the External Auditors, the Audit Committee is guided by the Policy on Selection of External Auditors. It also monitors the provision of non-audit services by the External Auditors to ensure that the non-audit services fees do not exceed 50% of the total audit fees payable to them.

During the year, the Audit Committee assessed the audit quality, suitability, effectiveness and independence of the External Auditors and ensures that the provision of other non-audit services by the External Auditors was not in conflict with their audit function. The annual assessment of the External Auditors encompassed areas such as objectivity and independence, competency, quality of services, communication and interaction, audit planning, delivery, fees and adequacy of resources. The outcome of the assessment was tabled to the Audit Committee on 21 March 2017. There were no major concerns highlighted in the External Auditors Assessment Report. The Audit Committee was generally satisfied with the performance of the External Auditors for financial year ended 31 December 2016. Therefore, the Audit Committee had recommended for shareholders' approval at the Third Annual General Meeting of the Company held on 15 June 2017, the proposed re-appointment of BDO as External Auditors for the financial year 2017.

The External Auditors will rotate their engaging partner in charge of the audited financial statements of the Company and the Group once every five (5) years to maintain their independence from the Group. Nevertheless, the current audit engagement partner has held the position for only three (3) years. The Board also has an option of rotating an audit firm once every five (5) years.

In addition, the External Auditors will be invited to attend the Company's Annual General Meeting/Extraordinary General Meeting(s) and will be available to answer any questions from the shareholders on the conduct of the statutory audit and the contents of the audited financial statements as well as any corporate exercise undertaken by the Group where the External Auditors are involved.

The Audit Committee has also considered the non-audit services provided by the External Auditors during the financial year. Details of the audit and non-audit fees paid and/or payable to the External Auditors for the financial year ended 31 December 2017 are shown in the table below.

FEES PAID AND/OR PAYABLE TO EXTERNAL AUDITORS OR ITS AFFILIATES	FYE 2017	
	COMPANY RM'000	GROUP RM'000
Statutory audit and related fees	17	565
Non-audit fees	-	3
Total	17	568

The Audit Committee's performance is reviewed annually by the Nomination and Remuneration Committee. The evaluation covered key aspects such as the member' financial literacy levels, ability to pose probing questions, competencies in grasping complex issues and skills to discharge their duties under its terms of reference. Based on the assessment for 2017, the Board was satisfied with the performance of the Audit Committee. The Audit Committee members had also attended various training programmes and seminars to broaden their knowledge and to keep abreast with the relevant progress and changes in law, regulations, internal control systems and the risk environment in which the Company operates.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board is assisted by Risk Management team in identifying, mitigating and monitoring the critical risks highlighted by the Business Divisions. The IAD which is in-charge of the internal audit function, assists the Audit Committee in reviewing, evaluating and monitoring the effectiveness of the Group's governance, risk management and internal control processes.

Based on the annual evaluation conducted, the Audit Committee was satisfied with the performance of IAD for the financial year 2017.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Company is committed to continuously disclose and disseminate comprehensive and timely information to its shareholders as well as to the general investing public in its effort to strengthen its relationship with the shareholders.

The Company has in place a Corporate Disclosure Policy which serves as a guide to enhance awareness among the employees of corporate disclosure requirements. The policy outlines the Company's approach toward the determination and dissemination of material information, the circumstances under which the confidentiality of information will be maintained,

response to market rumours and adverse or inaccurate publicity and restrictions on insider trading.

The Company also has put in place an internal policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakages and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

The communication channels used in the Company's engagement with its stakeholders include:

a) The Company's website;
b) Establishment of an investor relations division;
c) Announcements via Bursa LINK;
d) Annual reports;
e) General meetings;
f) Investors, analysts and media briefings;
g) Domestic and overseas roadshows and investors conference; and
h) Investor Relations Mobile Application.

II. CONDUCT OF GENERAL MEETINGS

The Board recognises the importance of shareholders' participation in general meetings and encourages such participation. The Annual General Meeting of the Company provides the principal forum for dialogue and interaction between the Board and the shareholders. The participation of shareholders, both individuals and institutional at general meetings on clarifications of pertinent and relevant information is encouraged.

In 2017, the Company served notice of its 3rd Annual General Meeting more than 28 days before the meeting, well in advance of the 21-day requirements under the Companies Act 2016 and the Main Market Listing Requirements of Bursa Securities. The additional time given to the shareholders had allowed them to have sufficient time to scrutinise the Annual Report 2016 and to make necessary arrangements to attend the meeting. The Company also distributed together with the notice of Annual General Meeting, information on administrative details such as details of the meeting, shareholders' entitlement to attend the meeting, their rights to appoint proxy and information as to who may act as a proxy, etc.

The Chairman provided ample time for the Questions and Answers sessions in the said general meetings. All the Directors together with the Managing Director, Chief Financial Officer, management and External Auditors were present to respond to all queries raised. All suggestions and comments given by the shareholders were also noted by management for consideration.

In addition, any written queries raised by the Minority Shareholder Watchdog Group will be presented to the shareholders at the general meetings together with the Group's response.

In line with the Main Market Listing Requirements of Bursa Securities, the Company had implemented poll voting for all the resolutions set out in the notice of the general meetings. The poll voting was conducted via electronic means and the results of the voting were instantly displayed on the screen. The Company has appointed an independent external scrutineer to validate all the votes at the said general meetings.

This Corporate Governance Statement was approved by the Board of Directors on 20 March 2018.

Dato' Ir Goh Chye Koon
Independent Non-Executive Chairman

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 (Act) to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:
(i) Adopted appropriate accounting policies and applied them consistently;
(ii) Made judgements and estimates that are reasonable and prudent; and
(iii) Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and to detect and prevent fraud and other irregularities.

AUDIT COMMITTEE REPORT

FORMATION

The Board of Sunway Construction Group Berhad (Company) is pleased to present the Audit Committee Report which provides insights into the manner in which the Audit Committee (AC) has discharged its oversight functions during the financial year ended 31 December 2017.

COMPOSITION

The AC currently comprises four (4) members, all of them are Independent Non-Executive Directors. This meets the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities (Bursa Securities). Members of the AC comprised the following Directors:

1. **Dato' Siow Kim Lun – Chairman**
   (Independent Non-Executive Director)

2. **Dato' Goh Ir Chye Koon**
   (Chairman of the Board/Independent Non-Executive Director)

3. **Dato' Dr Ir Johari Bin Basri**
   (Senior Independent Non-Executive Director)

4. **Dr Sarinder Kumari**
   (Independent Non-Executive Director)
   (Appointed on 1 March 2018)

Notes:

(a) Tan Sri Datuk Dr Rebecca Fatima Sta Maria, who was an Independent Non-Executive Director, has resigned from the Board and as a member of the AC on 1 March 2018.

(b) Evan Cheah Yean Shin, a Non-Independent Non-Executive Director, has stepped down from the AC on 1 March 2018. Notwithstanding that, he is still a Director of the Company.

Paragraph 15.09(1)(c) of the MMLR requires that at least one member of the AC must be a member of the Malaysian Institute of Accountants, or a member of one of the associations of accountants as specified in the Accountants Act 1967, or fulfils such other requirements as prescribed or approved by the Bursa Securities.

Dato' Siow Kim Lun, the Chairman of the AC, has been approved and recognised by the Bursa Securities as a person qualified for the purpose of paragraph 15.09(1)(c)(iii) of the MMLR. Accordingly, the Company complies with paragraph 15.09 of the MMLR.

MEETINGS AND ATTENDANCE

The AC held five (5) meetings in 2017. The attendance records of the AC members are shown below:

NAME OF COMMITTEE MEMBERS	NUMBER OF MEETING ATTENDED
Dato' Siow Kim Lun	5/5
Dato' Ir Goh Chye Koon	5/5
Dato' Dr Ir Johari Bin Basri	5/5
Tan Sri Datuk Dr Rebecca Fatima Sta Maria [(a)]	5/5
Evan Cheah Yean Shin [(b)]	5/5

Notes:

(a) Tan Sri Datuk Dr Rebecca Fatima Sta Maria has resigned from the Board and as a member of the AC on 1 March 2018.

(b) Evan Cheah Yean Shin has stepped down from the AC on 1 March 2018.

The Managing Director and Chief Finance Officer were invited to attend all the meetings of the AC to provide clarification on risks, internal controls and audit issues relating to the Group's finance and business operations. The Head of Internal Audit Department (IAD) attended all the meetings to table the internal audit reports and annual audit plan. The External Auditors, Messrs BDO, were present at 3 of the total meetings held. Senior Management officers from the respective business units were invited to attend certain meetings as and when necessary to brief the AC on specific issues raised in the internal audit reports or on matters relating to their areas of responsibility.

TERMS OF REFERENCE

The scope of responsibilities of the AC is outlined in its terms of reference which are set out in the Company's website: www.sunwayconstruction.com.my.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2017, the AC carried out the following activities in the discharge of its functions and duties:

1. OVERSEEING FINANCIAL REPORTING

(a) At the AC meetings held on 23 February 2017, 25 May 2017, 24 August 2017 and 20 November 2017, the AC reviewed and discussed with Management the respective quarterly management accounts and quarterly financial results, taking into consideration that the necessary process and controls were in place in the preparation of the financial reports.

At each of the Meetings, the Chief Finance Officer presented the financial reports and confirmed to the AC, the following matters:

(i) The accounting policies and methods of computation adopted by the Group were consistent with those adopted in the previous audited financial statements except for the adoption of new or amended accounting standards that were effective for the financial year 2017;

(ii) There were no significant and unusual issues other than those reported in the financial statements;

(iii) The Company and the Group continued to operate as going concern; and

(iv) The accounting standards, regulatory and other legal requirements had been complied with in preparation of the financial statements.

The AC focused its attention on the accuracy of the reported financial figures and explanations to material variances or movements during the year. The AC's recommendations on the unaudited quarterly financial results were presented for approval at subsequent Board Meetings for release to Bursa Securities.

(b) On 21 March 2017, the AC together with the External Auditors and Management, deliberated on the Audited Financial Statements for the financial year ended 31 December 2016. Having satisfied itself that the Audited Financial Statements and Directors' Report complied with the relevant accounting standards and legal requirements, the AC duly recommended the same for the Board's approval and subsequent tabling at the Third Annual General Meeting of the Company held on 15 June 2017.

(c) On 23 February 2017 and 20 November 2017, the AC also reviewed and took note of the changes and amendments to the regulations, accounting standards and other regulatory requirements tabled by Messrs BDO and Chief Finance Officer respectively that could have a significant financial impact to the Company. The Malaysian Financial Reporting Standards (MFRS) discussed included amendments to MFRS 12 (Disclosure of Interests in Other Entities), amendments to MFRS 107 (Disclosure Initiative), amendments to MFRS 112 (Recognition of Deferred Tax Assets for Unrealised Losses), MFRS 9 (Financial Instruments: Recognition and Measurement) and MFRS 15 (Revenue from Contracts with Customers) and MFRS 16 (Leases).

2. ASSESSING RISKS AND CONTROL ENVIRONMENT

(a) The AC reviewed the adequacy and effectiveness of the risk management framework and the appropriateness of Management's responses to key risk areas and proposed recommendations for improvements to be implemented. The risk management function was, however, assumed by a newly established Risk Management Committee (RMC). The RMC was set up on 24 August 2017.

(b) The Management reported to the AC on a quarterly basis (except for the third quarter risk review report 2017 which was tabled to the RMC at its first meeting held on 20 November 2017), all identified risks that were recorded in a risk management scorecard which facilitated systemic review and monitoring of the risk areas.

(c) On 23 February 2017, the AC also reviewed and deliberated on matters relating to internal control as highlighted by the External Auditors in the course of their statutory audit of the financial statements for the financial year ended 31 December 2016. At the meeting, the External Auditors reported that there was no significant breakdown in the Group's internal control systems. Nevertheless, BDO highlighted a small area for improvement with regard to the Company's accounting system.

3. EVALUATE THE AUDIT PROCESS

(a) Internal Audit

(i) The AC approved IAD's 2017 Audit Plan at the meeting held on 23 February 2017. The 2017 Audit Plan was developed using a risk based audit methodology where business units and processes were selected for audit based on risk assessments carried out periodically by IAD. The AC reviewed the adequacy and relevance of the scope and resources allocated for the plan and subsequently approved the plan and its proposed audit timetable and the budgeted man-hours.

The 2017 Audit Plan was also reviewed on a quarterly basis taking into account any developments which had an impact on the audit coverage.

IAD's audit engagements for 2017 were mainly carried out in the following key business components:

- On-going building projects:
  - Government Office Buildings at Putrajaya (Parcel F Project);
  - MRT Package V201;
  - KLCC projects;
  - International School Kuala Lumpur (ISKL); and
  - Projects at Sunway South Quay, i.e. Commercial Property 3 (CP3).
- Major subsidiaries, i.e. Sunway Precast Industries Sdn Bhd and Sunway Concrete Products (S) Pte Ltd;
- Corporate governance compliance within the Group;
- Financial Reporting for the Group; and
- Human Resources for the Group.

Sunway Construction Annual Report 2017

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES (CONT'D)

3. EVALUATE THE AUDIT PROCESS (CONT'D)

(a) Internal Audit (cont'd)

(ii) The AC reviewed the results of audit engagements carried out by IAD at every AC meeting and discussed the major findings and audit recommendations. The AC also reviewed the status of implementation of corrective actions taken by Management to ensure appropriate remedial actions were taken on a timely basis to address all areas of risk and internal control issues. In addition, IAD updated the AC on the progress of the 2017 Audit Plan and results of ad-hoc assignments including audit investigations.

(iii) At the meeting held on 21 March 2017, the Internal Audit Function Evaluation Report was tabled for the AC to assess the performance of IAD. The AC assessed the effectiveness of the internal audit function in terms of scope and compliance with relevant regulatory standards as well as their collaboration with the External Auditors. The Committee also assessed the adequacy of resources and core skills and competencies of staff within the IAD.

The AC was satisfied with the performance of IAD in 2016 and was of the opinion that the internal audit function was appropriate to its size and the nature and scope of its activities.

(iv) At the meeting held on 20 November 2017, the AC has met with the Internal Audit Department without the presence of the management staff to facilitate discussions on additional matters in relation to audit issues and internal control weaknesses noted in the course of their audit.

(v) At the meeting held on 20 November 2017, the AC had reviewed and approved its revised terms of reference incorporating new requirements of the Malaysian Code of Corporate Governance.

(b) External Audit

(i) The AC met with the External Auditors, Messrs BDO on the following dates:

- The AC on 23 February 2017, reviewed and deliberated with the Management and the External Auditors, the Audit Report by the External Auditors in respect of their audit for the financial year ended 31 December 2016.

  In the meeting, the External Auditors confirmed their professional independence in relation to the audit engagement for the financial year ended 31 December 2016. The External Auditors also reported their audit status versus the audit plan. The AC was briefed on the key audit and accounting issues which they had identified during the course of their audit and the justifications provided by the Management.

  The External Auditors had subsequently confirmed that they were not aware of any non-compliance of laws and regulations, as well as any material litigations and claims against the Group other than those brought forward from prior financial years.

  The External Auditors also tabled the financial reporting standards which had been issued and would be applied to the Group in future financial years.

- The AC on 21 March 2017, discussed with the External Auditors, the final draft of the Audited Financial Statements for the financial year ended 31 December 2016.

  The External Auditors was of the opinion that the Company's Annual Financial Statements gave a true and fair view of the financial position of the Company and its group in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

  Based on its annual audit, the External Auditors reported the following key audit matters and its audit response in its auditors' report for the financial year 2016:

  Revenue Recognition for Construction Contracts

  The Group recognises construction contract revenue and expenses in the profit or loss based on the stage of completion method. The determination of the stage of completion requires the management to exercise significant judgement in estimating the total costs to complete.

  In estimating the total costs to complete, the Group considers the completeness and accuracy of its cost estimation, including its obligations to contract variations, claims and cost contingencies. The total cost to complete including sub-contractor costs, can vary with market conditions and may also be incorrectly forecasted due to unforeseen events during construction.

  Assessment of Liquidated and Ascertained Damages (LAD) on Construction Contracts

  Based on the assessment of LAD on construction contracts as at 31 December 2016, the Group is of the opinion that no LAD recognition is required at this juncture. The determination of whether there is any exposure to LAD or otherwise involves significant management judgement based on available facts and circumstances.

- The AC had on 20 November 2017, reviewed and discussed with the External Auditors, the Audit Planning Memorandum for 2017 which outlined the scope of work for the statutory audit for financial year ending 31 December 2017.

  At the aforesaid meeting, the External Auditors explained their audit approach and system of evaluation including areas of audit emphasis and scope. New MFRS which would affect the financial reporting of the Company for financial year ending 31 December 2017 were highlighted. It was also noted that the Group would be adopting and implementing MFRS 9 and 15 in its financial reporting effective 1 January 2018. The External Auditors also highlighted the significant areas of focus in their audit.

(ii) The AC had private sessions with the External Auditors to discuss any issues as well as reservations arising from their audit without the presence of management staff and the executive board members on 23 February 2017 and 20 November 2017. No major concerns were highlighted and the External Auditors had also confirmed that they had received full cooperation from the Management and had unrestricted access to all the Company's records.

(iii) The AC had, at its meeting held on 21 March 2017, reviewed the audit and non-audit fees for the financial year ended 31 December 2016.

The AC having considered the nature, scope and amount of non-audit fees, was satisfied that there was no conflict of interest and it would not impair the independence of the present External Auditors.

(iv) The AC undertook an annual assessment on the quality of audit of the External Auditors. The External Auditors were assessed based on the following criteria:

- Audit performance;
- Quality of communication;
- Independence;
- Objectivity;
- Professionalism; and
- Adequacy of resources.

The External Auditors had provided to the AC, their firm's policies and written confirmation on their independence.

The results of the evaluation was tabled to the AC at its meeting held on 21 March 2017. Based on the results of the performance assessment, the AC and Management was satisfied with the External Auditors' independence, performance and their audit quality for the financial year ended 31 December 2016.

As such, the AC had subsequently recommended to the Board that the External Auditors be re-appointed for the next financial year subject to the shareholders' approval at the 3rd Annual General Meeting of the Company.

4. REVIEWING RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST SITUATIONS

(a) The AC had at its meetings held on 23 February 2017, 25 May 2017, 24 August 2017 and 20 November 2017, deliberated on any potential Management's conflict of interest, related party transactions and recurring related party transactions.

All related party transactions and recurring related party transactions were found to have complied with the following criteria:

i) Carried out in compliance with the MMLR of Bursa Securities and relevant rules and regulations;
ii) Transactions/arrangement were carried out on an arms' length basis and under normal commercial terms;
iii) Transactions/arrangement were in the best interest of the Company;
iv) Interested parties abstained from deliberation and voting;
v) Adequate disclosure via Bursa Announcements, Quarterly Reports and Annual Report; and
vi) Prior approval by the shareholders, where applicable.

With the assistance of the IAD, the AC had satisfied itself the adequacy, appropriateness and compliance of the procedures established to monitor recurrent related party transactions.

The AC took note that there were no management conflict of interest situations for operational matters (including any transaction, procedure or course of conduct) as reported by the Managing Director at the quarterly meetings.

(b) On 23 February 2017, the AC reviewed and approved the Circular to Shareholders in respect of the proposed renewal of shareholders' mandate for recurrent related party transactions as well as the statements by the AC in respect of the proposed shareholders' mandate for recurrent related party transactions.

5. OTHER MATTERS

(a) On 21 March 2017, the AC reviewed and recommended for the Board's approval, the Corporate Governance Statement, AC Report and Statement on Risk Management and Internal Control for inclusion into the Annual Report 2016 of the Company.

The AC also had reviewed and recommended for the Board's approval, the Annual Report 2016 of the Company.

(b) At its meeting held on 23 February 2017, the AC was informed that the new Companies Act 2016 would be implemented on staggered basis with the first phase to be effective from 31 January 2017. Consequently, the Companies Act, 1965 would be repealed.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES (CONT'D)

5. OTHER MATTERS (CONT'D)

(c) The AC was satisfied that there were no breaches of the MMLR of Bursa Securities as reported by the Company Secretary at the quarterly meetings during the financial year.

(d) The AC had endorsed the Policy on Selection of External Auditors at its meeting held on 25 May 2017. Thereafter, the policy was presented to the Board for approval at the subsequent Board Meeting.

(e) Minutes of the previous AC's meetings were tabled at the subsequent Board meetings by the AC Chairman. Significant issues and concerns discussed during the AC meetings together with the recommendations were highlighted and reported to the Board.

PERFORMANCE EVALUATION

The assessment on the performance and effectiveness of the AC are undertaken by the Board annually. The AC Members also undertook a Self and Peer Evaluation to assess whether the AC members had carried out their duties and responsibilities in accordance with its terms of reference.

Based on the assessment, the Board was satisfied that the AC was effective in discharging its duties and responsibilities as required under the terms of reference of the AC.

CONTINUING EDUCATION

The details of training programmes and seminars attended by each AC Member during the financial year ended 31 December 2017 are set out in the Corporate Governance Overview Statement under "Directors' Training".

INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

The Internal Audit (IA) function is an integral part of the assurance framework and it is performed in-house and undertaken by IAD. The mission of IAD is to enhance and protect the Company and its Group's organizational value by providing risk-based and objective assurance, advice and insight. IAD helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. IAD reports functionally to the AC and administratively to the Managing Director.

IAD is headed by Ms Celia Lee Kat Li who is a Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA). IAD has 6 auditors and most of the IAD staff have professional qualifications and are members of the Malaysian Institute of Accountants (MIA). The Head of IAD and the audit executives have confirmed that they are free from any relationships or conflicts of interest which could impair their objectivity and independence in their audit assignments.

IAD is a member of the Malaysian Chapter of the Institute of Internal Auditors (IIA) and adopts the IIA Standards laid down in the International Professional Practices Framework issued by the IIA. IAD successfully completed its external Quality Assessment Review in 2015 and continues to meet or exceed the IIA Standards in all key aspects. IAD carried out its activities based on a risk-based annual audit plan approved by the AC. To ensure that the responsibilities of IAD are fully discharged, the AC reviews annually the adequacy of the scope, function and resources of the IA.

The internal audit reports arising from assignments were issued to the Management for their response, corrective actions and update on status of implementation of audit recommendations. The internal audit reports were subsequently tabled to the AC for their deliberation and approval. The Head of the IAD has unrestricted access to the AC and reports directly to the AC.

During the financial year ended 31 December 2017 and as at the date of this report, the IAD carried out the following activities:-

(a) Prepared and presented the risk-based annual internal audit plan encompassing key business segments within the Group for the approval of the AC.

(b) Performed audit engagements which covered reviews of internal control systems, accounting and management information systems, risk management and governance practices;

(c) Issued internal audit reports to the AC and Management highlighting results of the assessments of internal controls identifying key areas of concerns as well as providing recommendations for improvements and follow-up audits;

(d) Acted on suggestions made by the AC and/or senior management on concerns over operations or controls and significant issues pertinent to the Company and of the Group.

(e) Performed investigative audits on allegations of mismanagement or improper acts reported through the whistleblowing procedures and other channels;

(f) Reported to the AC on review of the adequacy, appropriateness and compliance with the procedures established to monitor recurrent related party transactions.

(g) Performed independent evaluation on the operation of risk management framework focusing primarily on the adequacy and effectiveness of the said framework.

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2017 including staff payroll costs and overheads amounted to RM963,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (Board) is pleased to present the Statement on Risk Management and Internal Control, pursuant to Chapter 15, Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Principle B of the Malaysian Code on Corporate Governance 2017, with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

THE BOARD'S RESPONSIBILITY

The Board affirms its commitment and responsibility towards effective risk management and internal control. In doing so, the Board embeds risk management into activities, initiatives and processes of Sunway Construction Group Berhad (SCG) and its subsidiaries (Group). The framework has been set in place by the Board to identify, evaluate, mitigate and monitor key risks faced by the Group.

The Board recognises that the framework is designed to mitigate rather than eliminate, risks or events with significant adverse impact on the achievement of the Group's objectives and strategies. As such, it provides reasonable but not absolute assurance against material financial misstatement and management information and records, or against financial losses or fraud.

In pursuit of improving and integrating effective governance structures and processes into the framework, the Board has set up a Risk Management Committee (RMC) which comprises of independent directors in majority and as its Chairman to oversee the Group's risk management and internal control. Accountable to the Board of Directors, the RMC meets quarterly to:

- Identify, assess and monitor key business risks and review risk mitigation strategies;
- Review and recommend risk management strategies, policies and levels of risk tolerance;
- Ensure infrastructure, resources and systems are in place to manage risks.

During the financial year, the RMC has reviewed, appraised and assessed, controls and progress of action plans taken to mitigate and manage the Group's risk exposure. The RMC has subsequently provided assurance to the Board that the Group's risk management and internal control are operating adequately and effectively in all material aspects. This statement however, does not cover associate companies and joint ventures where risk management and internal control are managed by the respective management teams.

INTERNAL CONTROL SYSTEM

Planning, monitoring and review of the Group's performance and conduct are done via scheduled periodic meetings of the Board, Board Committees and management. The annual Business Plan ensures that all operating subsidiaries prepare and present its outlook, expectations, budgets, performance and targets for the forthcoming year.

During the financial year, the Group has set up a Risk Working Committee (RWC) led by Mr Richard Wong, who is also the Executive Director for Building Central. The rationale of setting up a RWC is to ensure that the Group's risk coverage is more conclusive on exposures specifically to operational matters.

The RWC communicates the Board's expectations to management teams and employees during management meetings, managers' conferences and forums while the heads of the operating subsidiaries and departments are empowered with the responsibility of planning, monitoring, reporting and managing their respective operations.

COMPONENTS OF THE INTERNAL CONTROL SYSTEM

1. Policies & Procedures

The Group's internal control system encompasses formalised and documented internal policies, standards and procedures to ensure compliance with internal controls, relevant laws and regulations. It enables all divisions and operating subsidiaries to effectively and efficiently, operate and respond proactively to potential business, operational, financial, compliance and other risks in achieving the Group's goals and objectives. These documents are regularly reviewed to ensure relevance and applicability and are published in the Group's intranet for employees' reference.

2. Audits

The Internal Audit Department (IAD) carries out internal audits on divisions and business units of the Group based on a risk-based audit plan approved annually by the Audit Committee (AC). Based on these audits, IAD provides the AC with periodic reports highlighting observations, recommendations and action plans to improve the Group's internal control system. The AC reviews and deliberates on any matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements of the Group.

Additionally, subsidiaries accredited with certifications such as International Organisation for Standardisation (ISO) and Occupational Health and Safety Advisory Services (OHSAS) are audited as scheduled by auditors of relevant certification bodies. Results of these audits are reported to management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL SYSTEM (CONT'D)

COMPONENTS OF THE INTERNAL CONTROL SYSTEM (CONT'D)

3. Employee Engagement and Performance

Key performance indicators, based on balanced scorecards are used to track and measure employee's performance while employee engagement surveys are conducted to gain feedback on effectiveness and efficiency of the Group to aid continuous improvement of employee competency, in line with the Group's goals and objectives.

4. Employee Conduct

Available for staff access in the Group Governance and Integrity portal, this is governed by a series of policies which define the core values of the Group – Integrity, Humility and Excellence.

a) The Whistle Blowing Policy serves as a guideline for stakeholders and staff to report in a safe and confidential manner, any concerns regarding possible illegal, unethical conduct or malpractice to the management for further action. Whistle blowing avenues include a direct line telephone number, e-mail or written mail to the Head of Internal Audit Department.

b) The Fraud Response Procedures guides management teams of respective business units to respond to allegations or suspicions of fraud and ensure that all cases of suspected or alleged frauds are reported promptly, and investigations are conducted effectively.

c) The Integrity Pact serves to ensure transparency and fairness in the procurement process of the Group with an aim to promote efficiency in procuring products or services in accordance with approved specifications and prices while avoiding distortionary factors and corrupt practices.

d) The Group's Code of Conduct and Business Ethics provides an ethical framework to guide actions and behaviors of directors and employees of the Group. It reflects the increasing need for effective corporate governance and compliance measures in the Group's businesses, domestically and internationally.

e) The Staff Handbook provides information on employment terms and conditions in addition to compensation, leaves, health benefits, education assistance, discounts, expectations and career path to name a few. Also included in the policy is the Group's Personal Data Protection Notice on the collection and handling of personal information in accordance with the Malaysian Personal Data Protection Act 2010.

5. Risk Management

The Group's risk management framework is benchmarked against the ISO31000:2009 Risk Management – Principles and Guidelines and is designed to embed Enterprise Risk Management (ERM) into key activities, initiatives and processes of the Group. This enables the Group to identify, assess and mitigate risks that may prevent the Group from achieving its objectives. In doing so, the stakeholders are assured that their interest is protected. During the financial year, the Group constantly reinforces its risk management framework to remain relevant and effective given the present business environment.

The framework is enterprise-wide and outlines policies and practices for effective risk mitigation. It allows the Group to:

- Establish clear functional responsibilities and accountabilities within committee structures for management of risks;
- Enhance and improve corporate governance with a clear, concise and robust structure for the Group;
- Determine risk appetite and risk tolerance based on measurable parameters related to critical risks that may impact the strategy, performance and reputation of the Group;
- Set risk policies and limits consistent with the risk appetite and tolerance of the Group;
- Ensure appropriate skills and resources are applied to risk management.

Continuous risk assessment is fundamental to the Group's risk management process. Operating subsidiaries are tasked with reporting major risks on a quarterly basis to management as it aims for a holistic approach towards risk management. The respective operating subsidiaries being risk owners of their immediate sphere are responsible to develop the appropriate response strategies to mitigate the risks.

In providing assurance to the RMC and the Board, the Managing Director (MD) and Chief Financial Officer (CFO) continue to review the quarterly risk templates in identifying and mitigating all major risks of the operating subsidiaries under the Group. The quarterly risks from all operating subsidiaries are consolidated and updated to the Chairman, Managing Director and RMC, highlighting major risks and mitigating controls carried out.

The Group has **four (4) core response strategies** for risk management. These include:

Sunway Construction Annual Report 2017

1. Risk Termination

In this instance, management chooses to terminate risks by eliminating the business or by significantly altering it. The Group may choose this route for risks that could have major or catastrophic impact on its businesses.

2. Risk Reduction

Risks may be reduced by taking specific actions aimed at reducing the likelihood of occurrence, thus reducing the impact of these risks on the Group's businesses.

3. Risk Acceptance

Management may choose not to act and to consciously accept certain risks which are significantly low in likelihood of occurrence and/or impact. Factors to consider for risks of such nature would be:

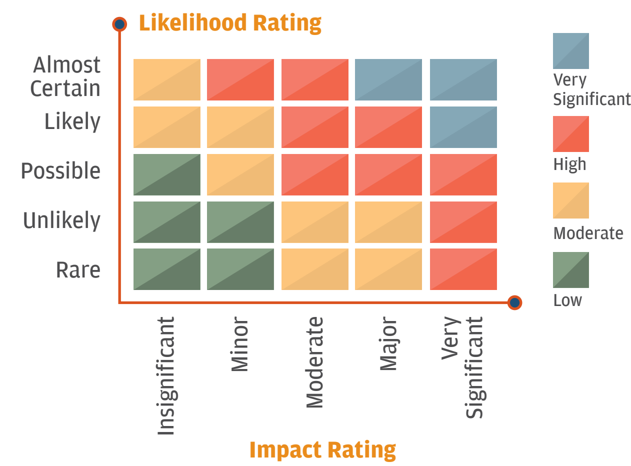
- Adequacy of current controls;
- Quality and quantity of information on the controls;
- Likelihood and consequences of the risk occurring; and
- The cost of additional controls

4. Risk Transfer

Management may choose to transfer all or part of a certain risk to other parties via:

- Transferring an entire business process to another party as is the case with sub-contracting and outsourcing arrangements;
- Sharing the business process with another party as is the case with partnerships and joint venture arrangements; and
- Retaining the process and transferring the legal and financial risks as is the case with insurance arrangements and the use of certain treasury/financial products.

Risk management discipline hence, ensures that risk assessment is an on-going process whereby risks and risk mitigation measures are regularly reviewed and adjusted accordingly. The continuous risk assessment process therefore, represents the cornerstone of an effective ERM programme for the Group.



Risk Map : SunCon monitors its risk via the above risk assessment

REPORTING STRUCTURE

The RMC will meet and deliberate on the top risks identified on a quarterly basis while its Chairman will subsequently update the Board on proceedings and updates from the RMC. Significant issues arising from changes in business environment are reviewed continuously to ensure minimal impact to the Group. The Group positions its business units towards a profitable objective while incorporating risk management principles into our functions and processes.

RWC is accountable for effectiveness of the risk management framework and is independently distinguished from risk owners - the respective heads of operating subsidiaries being such person with vital insight of respective businesses and able to actively influence the identified risks through decisions and actions.

Consequently, RWC undertakes the role of assisting Business Units by identifying, quantifying, managing and mitigating critical risks in addition to monitoring and reporting of action plans prepared by the Business Units.

RWC continues to support the Group's efforts in embracing change and evolution into a resilient conglomerate, allowing it to refine its focus and strategies to achieve goals and objectives while sustaining an ecological balance between employees, communities and environment. Thus, as the Group commits to provide Environmental, Safety & Health (ESH) standards and practices to enhance stakeholders' value, RWC's quarterly risk reporting exercise with operating subsidiaries goes beyond risk mitigation to ensure that operational processes are consistent and remain compliant with the relevant standards such as OHSAS 18001 and ISO 14001 to name a few.

Apart from the above, RWC participate in other **value-adding exercises** such as:

1. Review Existing SCG's Standard Operating Principles (SSOP)

The review of the Group's SSOPs is conducted by key relevant personnel from respective divisions or operating subsidiaries, covering credit control, procurement, products and services and operative guidelines.

2. Assist in Day-To-Day Operations for Operating Subsidiaries

Upon instruction from management, key relevant personnel assist in fulfilling daily operative requirements to ensure minimal business interruption or delays that could hamper the achievement of goals and objectives.

3. Assist in Conducting Regulatory Research

Such research is conducted to ensure that the Group's projects and businesses (existing or new) remain compliant to laws and regulations.

4. Assist in Conducting Tender for Divisions and Operating Subsidiaries

RWC participates in tender processes to form an independent party to ensure fairness in observance of due process, decision making and tender awards.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL SYSTEM (CONT'D)

KEY RISK FACTORS

For the financial year under review, RWC has identified the following risks for the Group. These were presented to the Board where controls, mitigating plans and monitoring mechanisms were highlighted.

1. Project Completion

As the Group strives to maintain its position as Malaysia's largest listed pure play construction group by revenue, this risk is perennial and holds a significant weight in risk analysis.

Mitigation:

Group has successfully negated such risks for the financial period with effective and efficient procurement of necessary resources to mitigate any potential delays and claims including active negotiation with client to accelerate works due to unforeseen delays, deploying more resources and improving supervision for the purpose of increasing productivity.

2. Cost Overrun

This risk concerns the Group as the fluctuations for raw material prices especially steel bar prices and preliminary cost due to prolongation of project. It could result in overrun of project operation costs from the tender costs.

Mitigation:

In response to this, some contracts have pass through clauses in relation to steel price fluctuation. Where there are no pass through clauses, the Group negotiates with suppliers to hedge our steel bar purchases for 6 months interval. To control our preliminary cost like overhead and plant and machinery, we monitor the progress of our project actively to ensure timely delivery.

3. Cyber & IT Risk

This risk, if left unattended, could result in the unauthorised disclosure of sensitive business information, resulting in financial or reputational loss. It could also result in the disruption of critical business processes.

Mitigation:

To mitigate this risk, various policies, resources, processes, and systems have been developed and deployed. The Group-wide Information Security policy, called the SISP (Sunway Information Security Policies), was developed in accordance with ISO/IEC 27002 (2005) standards. In addition, continuous initiatives are in place to enhance the cyber defense capabilities and IT resiliency of the Group.

4. Human Capital

Risks arising from issues such as high staff turnover, loss of key and technical staff, competition from other industry players, succession planning and staff retention.

Mitigation:

Human Resources Department, together with respective divisions and operating subsidiaries continuously improves and enhance mitigation plans which include employee engagement surveys, team building exercises, training and development – internal and external and constant reviews of the Group's remuneration and compensation benefits for staff.

5. Workplace Safety and Health

Risks arising from the intrinsic nature of construction activities, which often involves complex activities being carried out by teams of workers, we remain exposed to occurrence of accidents and incidents caused by human error or other factors. In addition, all construction activities generate dust, waste and noise pollution.

Mitigation:

Appropriate and effective policies and procedures are implemented and thoroughly monitored jointly by Environmental, Safety and Health Department and RWC to mitigate these risks. There is also strict compliance to various environmental laws and regulations.

6. Dependence on the Property Market and Government Infrastructure Spending

Risks relating to decline in demand in the property sector and government infrastructure spending under the construction sector. In Singapore, the manufacturing and sale of precast concrete products business segment is also dependent on the number and timing of launches by the Housing Development Board (HDB).

Mitigation:

In response to this, the Group continuously improve our productivity and technical capabilities to enable us to take on more complex construction projects especially in the areas of mechanical, electrical and plumbing services, foundation and earthwork and industrialised building system (IBS). The Group has also started exploratory works within the ASEAN region.

THE BOARD'S CONCLUSION

The Board is pleased to report that the state of the Group's risk management and internal control framework is able to meet the Group's objective to ensure good corporate governance. There was no potential or present failure or weakness that would have material adverse effect on the results of the Group for the year under review.

The Board has also received assurance from the MD and CFO that the Group's risk management and internal control framework is operating adequately and effectively in all material aspects. Continuous focus on measures to protect and enhance shareholder value and business sustainability will remain a core practice for the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control as required under Paragraph 15.23 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. The limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3 (AAPG 3), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report.

Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention which causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

This Statement on Risk Management and Internal Control was approved by the Board of Directors on 20 March 2018.

Sunway GEO Retail Shops and Flexi Suites

Sunway Construction Annual Report 2017

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no proceeds raised from corporate proposals during the financial year.

2. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving directors' and major shareholders' interests during the financial year ended 31 December 2017.

3. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The details of the recurrent related party transactions are disclosed in Note 40 of the Notes to the Financial Statements.

Mass Rapid Transit 2 - Package V201

INVESTOR RELATIONS (IR)

SunCon's IR team has been actively promoting fair valuation for SunCon and attracting new investors who believe in our operational model and business strategies. The Government of Malaysia's pump-priming efforts especially in the infrastructure sphere has continued to generate interest in the construction counter especially in the run up to Malaysia's 14th general elections. SunCon being the largest pureplay listed construction company has garnered interest both locally and abroad. Our continuous engagement with both analysts and fund managers serves to convey our corporate developments in a timely and accurate manner.

RESEARCH COVERAGE

The number of research coverage has increased to 15 research institutions from 13 research instructions in 2016 since our listing in July 2015.

THE RESEARCH INSTITUTIONS INCLUDE:

1. Affin Hwang Investment Bank
2. AllianceDBS Group Research
3. AmInvestment Bank (new initiation in 2017)
4. BIMB Securities Research
5. CLSA Securities (new initiation in 2017)
6. Hong Leong Investment Bank
7. Kenanga Research
8. UOB KayHian
9. M&A Securities
10. Macquarie Research
11. Maybank Kim Eng
12. MIDF Research
13. Nomura Securities
14. RHB Research Institute
15. TA Securities

CONFERENCES, ROADSHOWS AND EXCLUSIVE INTERVIEWS

In 2017 we have attended and organised a total of 7 events compared to the 15 events in 2016 which is depicted below. As this is our 3rd year after listing, many analysts and fund managers have already been acquainted with SunCon. As a result, invitations and requests have reduced. Despite that, we will continue to conduct one-on-one sessions with our analysts and also fund managers which we believe is more productive as it tends to be more personalised.

STATISTICS		
Shariah Status	Market Capitalisation	Issued Share
Yes	3.245 billion	1.293 billion

	ORGANISER	EVENT	DATE	VENUE
1	DBS Vickers Securities	Pulse of Asia Conference	6 January 2017	Singapore
2	Daiwa Capital Markets and Affin Hwang Capital	Malaysia Corporate Day in Singapore	19 April 2017	Singapore
3	Nomura Securities	Malaysia Focus - video conference to Singapore, Hong Kong, and Tokyo based investors	5 May 2017	Malaysia
4	Citibank	ASEAN C-Suite Investors Conference 2017	25 - 26 May 2017	Singapore
5	CLSA Securities Malaysia	CLSA Construction Day	20 July 2017	Malaysia
6	Macquarie Research	Macquarie ASEAN Conference	21 August 2017	Singapore
7	CIMB	CIMB Construction and Infrastructure Day	23 October 2017	Malaysia

SunCon is also very honored to have been invited for exclusive interviews with local and international publications.

FINANCIAL ANNOUNCEMENT

SunCon continues to engage with its stakeholders through a series of investor relations activities throughout the year. All major announcements, such as the release of the quarterly results, new construction orders, or new ventures were all announced through Bursa Malaysia. The information would then be disseminated in the form of flashnotes to analysts. We also ensure that these documents are made available immediately on the Group's Investor Relations website.

SunCon Group held it's 3rd Annual General Meeting on 15 June 2017 at Sunway Resort Hotel and Spa where our Managing Director presented our financial performance and review for 2016. The Board of Directors and management also duly responded all the queries, opinions and feedback from the shareholders. SunCon's board of directors and management team also shared the company's most recent updates and future prospects.

SHARIAH–COMPLIANCE

Further to our 2016 annual report whereby we reported our removal from Shariah-compliant securities list, we were reinstated on 25 May 2017 alongside 676 Shariah-compliant securities which constitute 75% of total listed securities on Bursa Malaysia. We believe that the market has already priced this in as our share price which closed at RM1.70 as at 31 December 2016 saw a gradual increase starting from end March 2017 to RM2.07 when the Securities Commission announced the list on 25 May 2017. SunCon will continue to monitor and ensure a portion of our excess cash is placed in Islamic funds for continued inclusion.

INITIATION OF SHARE BUYBACK

SunCon initiated its first share buyback on 20 June 2017 after obtaining the mandate fro the shareholders during its AGM on 15 June 2017. As at year ended 2017, the Company has bought 654,000 shares at an average price of RM1.98 per share. The Board of Directors believes that the share was undervalued then and does not commensurate with the potential of SunCon. The share buyback exercise was only performed twice as our share price eventually traded above the management's benchmark of RM2.00 per share.

AWARDS RELATED TO INVESTOR RELATIONS

SunCon believes in transparent and comprehensive reporting and strive to provide accurate and timely disclosures to all stakeholders at all times. As such, we have been very honoured to receive several awards during the year.

SunCon was once again the award winner for the Industry Excellence Award 2017 under the Property & Construction sector in the Minority Shareholders Watchdog Group (MSWG) - ASEAN Corporate Governance Recognition 2017, on the 6th of December 2017. This prestigious award represents SunCon's commitment in upholding good Corporate Governance.

SunCon was also ranked 4th behind 3 Petronas-owned companies and ahead of Malayan Banking Bhd in the Malaysian Institute of Corporate Governance (MICG)'s report, titled "Transparency in Corporate Reporting - Assessing Malaysia's Top 100 Public Listed Companies" on 8 August 2017. As a smaller-sized listed company, we are pleased to have been recognised for our transparent and disclosure practises amongst the larger companies; more so because the construction industry has been perceived as opaque. The companies are ranked in 3 areas - organisational transparency, anti- corruption programmes and sustainability practices.

In 2017, SunCon's IR team's efforts were recognised at the 7th Malaysia Investor Relations Association (MIRA) Awards where SunCon was shortlisted for a total of 9 categories : Best Company for Investor Relations (Mid Cap), Best Chief Executive Officer for Investor Relations (Mid Cap), Best Investor Relations Website (Mid Cap), Quality of One-on-One Meeting (Mid Cap), Most Improved Services from Investor Relations Team (Mid Cap), Best Chief Financial Officer for Investor Relations (Mid Cap), Best Investor Relations Professional (Mid Cap), Business Knowledge & Insights of Investor Relations Team (Mid Cap) and Quality of Annual Reports/ Formal Disclosure.

ANALYST REPORT AND COVERAGE

During the year we have a total of 52 reports from various research houses and we have tabulated the analysis in the table on the right.

REPORT DAY (2017)		INSTITUTION	SHARE PRICE AT REPORT DATE	TARGET PRICE	RECOMMENDATION
JAN	16	DBS Group	1.69	1.92	Buy
	18	Macquarie	1.69	1.90	Outperform
FEB	10	Affin Hwang	1.71	2.00	Buy
	23	Macquarie	1.78	1.90	Outperform
	24	DBS Group	1.80	2.13	Buy
	24	Kenanga	1.80	1.77	Market Perform
	24	TA Securities	1.80	1.90	Hold
MAR	10	Nomura	1.71	2.00	Buy
	27	Maybank IB	1.80	1.90	Buy
	27	HongLeong IB	1.80	2.00	Buy
APR	25	Macquarie	2.00	2.50	Outperform
MAY	18	CLSA Securities	2.04	2.55	Buy
	26	Maybank IB	2.07	2.30	Buy
	26	Affin Hwang	2.07	2.13	Hold
	26	Macquarie	2.07	2.50	Outperform
	26	CLSA Securities	2.07	2.55	Buy
	26	TA Securities	2.07	2.26	Hold
JUNE	16	DBS Group	2.00	2.60	Buy
JULY	12	AmInvestment	2.02	2.01	Hold
AUG	21	Macquarie	2.33	2.50	Outperform
	24	Affin Hwang	2.32	2.34	Hold
	24	Maybank IB	2.32	2.30	Hold
	24	Macquarie	2.32	2.50	Outperform
	25	Kenanga	2.32	2.00	Underperform
	25	AmInvestment	2.32	2.01	Hold
	25	DBS Group	2.32	2.60	Hold
	25	TA Securities	2.32	2.26	Sell
	25	CLSA Securities	2.32	2.75	Buy
SEPT	15	AmInvestment	2.30	2.60	Buy
	15	Kenanga	2.30	2.00	Underperform
	15	Maybank IB	2.30	2.30	Hold
	15	DBS Group	2.30	2.60	Hold
	15	TA Securities	2.30	2.26	Sell
OCT	5	Macquarie	2.26	2.80	Outperform
	6	RHB IB	2.30	2.60	Buy
	6	Maybank IB	2.30	2.63	Buy
	6	Affin Hwang	2.30	2.34	Hold
	6	AmInvestment	2.30	2.65	Buy
	6	DBS Group	2.30	2.60	Hold
	6	TA Securities	2.30	2.55	Buy
	6	Kenanga	2.30	2.29	Market Perform
	6	CLSA Securities	2.30	2.80	Buy
	6	Hong Leong IB	2.30	2.59	Buy
	13	TA Securities	2.31	2.65	Buy
	19	DBS Group	2.30	2.60	Hold
NOV	21	TA Securities	2.40	2.65	Buy
	21	Maybank IB	2.40	2.63	Buy
	21	RHB IB	2.40	2.70	Buy
	21	CLSA Securities	2.40	2.80	Buy
	21	Kenanga	2.40	2.29	Market Perform
	21	DBS Group	2.40	2.60	Hold
DEC	29	RHB IB	2.44	2.70	Buy

Sunway Construction Annual Report 2017

FINANCIALS

CREATING VALUE BY CUTTING THROUGH THE CLUTTER

The buck stops here when it comes to financial management. We consistently thrive by remaining steadfast in providing added value in everything that we do.

DIRECTORS' REPORT

SUNWAY CONSTRUCTION GROUP BERHAD
(INCORPORATED IN MALAYSIA)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of subsidiaries are set out in Note 17 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

Results

	GROUP RM'000	COMPANY RM'000
Profit net of tax	137,968	168,043
Profit attributable to:		
Owner of the parent	137,830	168,043
Non-controlling interests	138	-
	137,968	168,043

Dividends

The dividends paid, declared or proposed by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of financial year ended 31 December 2016:	
Second interim single-tier dividend of 2.5 sen per ordinary share paid on 20 April 2017	32,323
In respect of financial year ended 31 December 2017:	
First interim single-tier dividend of 3.0 sen per ordinary share paid on 28 September 2017	38,767
	71,090

On 26 February 2018, the Board of Directors declared a second interim single-tier dividend of 4.0 sen per ordinary share for the financial year ended 31 December 2017. The total estimated dividend payable amounted to approximately RM51,690,000. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

The Board of Directors do not recommend any final dividend for the financial year ended 31 December 2017.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND SHARES BUYBACK

During the financial year, the Company repurchased 654,000 of its issued ordinary shares from the open market at an average price of RM1.98 per share. The total consideration paid for the repurchases was RM1,295,000 and was financed through internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2017, the Company held a total of 654,000 ordinary shares as treasury shares out of its total issued and paid up share capital of 1,292,900,010 ordinary shares. Such treasury shares are recorded at a carrying amount of RM1,295,000.

The Company did not issue any new shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

The Directors who have held office during the financial year until the date of this report are as follows:

Dato' Ir Goh Chye Koon
Dato' Siow Kim Lun
Dato' Dr Ir Johari Bin Basri
Dato' Chew Chee Kin
Chung Soo Kiong
Evan Cheah Yean Shin
Datuk Kwan Foh Kwai
(Resigned with effect from 31 December 2017)
Tan Sri Datuk Dr Rebecca Fatima Sta Maria
(Resigned with effect from 1 March 2018)
Dr Sarinder Kumari
(Appointed on 1 March 2018)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options granted under the Employees' Share Option Scheme and warrants issued by its intermediate holding company, Sunway Berhad.

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 40 to the financial statements.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of the Directors in office at the end of the financial year in ordinary shares, non-cumulative redeemable preference shares, warrants and options over ordinary shares in the Company and its related corporations during the financial year were as follows:

	NUMBER OF ORDINARY SHARES			
	AS AT 1.1.2017	ACQUIRED	SOLD	AS AT 31.12.2017
The Company				
Direct interests:				
Dato' Ir Goh Chye Koon	5,000	-	-	5,000
Dato' Chew Chee Kin	334,355	-	-	334,355
Datuk Kwan Foh Kwai #	755,216	-	(80,000)	675,216
Chung Soo Kiong	200,046	-	-	200,046
Evan Cheah Yean Shin	13,435	-	-	13,435
Deemed interests:				
Datuk Kwan Foh Kwai #1	246,685	-	-	246,685
Dato' Chew Chee Kin 2	34,695	-	-	34,695
Evan Cheah Yean Shin 3	841,282,318	-	-	841,282,318

1 Deemed interest by virtue of Section 8 of the Companies Act 2016 (CA 2016) held through spouse and children.
2 Deemed interest by virtue of Section 8 of the CA 2016 held through spouse.
3 Deemed interest by virtue of Section 8 of the CA 2016 held through Active Equity Sdn. Bhd. (AE), Sungei Way Corporation Sdn. Bhd. (SWC) and parent.
Resigned with effect from 31 December 2017.

	NUMBER OF ORDINARY SHARES					
	AS AT 1.1.2017	SHARE DIVIDEND DISTRIBUTION^	BONUS SHARES^^	ACQUIRED	SOLD	AS AT 31.12.2017
Intermediate holding company Sunway Berhad						
Direct interests:						
Dato' Ir Goh Chye Koon	50,000	500	67,333	-	-	117,833
Chung Soo Kiong	-	-	600,000	645,000	(245,000)	1,000,000
Datuk Kwan Foh Kwai #	1,090,465	10,204	1,200,892	500,000	(700,000)	2,101,561
Dato' Chew Chee Kin	5,409,729	54,097	11,785,101	3,375,000	-	20,623,927
Evan Cheah Yean Shin	556,946	5,569	2,350,020	1,200,000	-	4,112,535
Deemed interests:						
Datuk Kwan Foh Kwai #1	466,854	4,668	628,696	-	-	1,100,218
Dato' Chew Chee Kin 1	650,932	6,509	876,588	-	-	1,534,029
Evan Cheah Yean Shin 2	1,236,452,384	12,365,771	1,682,457,538	13,150,000	(125,000)	2,944,300,693

1 Deemed interest by virtue of Section 8 of the CA 2016 held through spouse.
2 Deemed interest by virtue of Section 8 of the CA 2016 held through AE, SWC and parent.
Resigned with effect from 31 December 2017.
^ Receipt of ordinary shares on 28 April 2017 pursuant to the distribution of a second interim single tier dividend via a share dividend distribution on the basis of 1 treasury share for every 100 ordinary shares held in Sunway Berhad (Share Dividend Distribution).
^^ Receipt of ordinary shares on 4 October 2017 pursuant to the bonus issue of new ordinary shares in Sunway Berhad (Bonus Shares) on the basis of 4 Bonus Shares for every 3 existing ordinary shares held by the shareholders of Sunway Berhad (Bonus Issue of Shares).

	NUMBER OF WARRANTS 2017/2024				
	AS AT 1.1.2017	WARRANTS*	ACQUIRED	SOLD	AS AT 31.12.2017
Intermediate holding company Sunway Berhad					
Direct interests:					
Dato' Ir Goh Chye Koon	-	15,150	-	-	15,150
Chung Soo Kiong	-	135,000	-	-	135,000
Datuk Kwan Foh Kwai #	-	270,200	-	-	270,200
Dato' Chew Chee Kin	-	2,651,647	-	-	2,651,647
Evan Cheah Yean Shin	-	528,754	-	-	528,754
Deemed interests:					
Datuk Kwan Foh Kwai #1	-	141,456	-	-	141,456
Dato' Chew Chee Kin 1	-	197,232	-	-	197,232
Evan Cheah Yean Shin 2	-	378,552,945	42,357,200	-	420,910,145

1 Deemed interest by virtue of Section 8 of the CA 2016 held through spouse.
2 Deemed interest by virtue of Section 8 of the CA 2016 held through AE, SWC and parent.
* Receipt of warrants on 4 October 2017 pursuant to the bonus issue of warrants (Warrants) on the basis of 3 warrants for every 10 existing ordinary shares held by the shareholders of Sunway Berhad.
# Resigned with effect from 31 December 2017.

Sunway Construction Annual Report 2017

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

	NUMBER OF ORDINARY SHARES			
	AS AT 1.1.2017	ACQUIRED	SOLD	AS AT 31.12.2017
Penultimate holding company				
Sungei Way Corporation Sdn. Bhd.				
Deemed interest:				
Evan Cheah Yean Shin ^	10,000,000	-	-	10,000,000

^ Deemed interest by virtue of Section 8 of the CA 2016 held through AE and parent.

	NUMBER OF NON-CUMULATIVE REDEEMABLE PREFERENCE SHARES			
	AS AT 1.1.2017	ALLOTMENT	REDEEMED	AS AT 31.12.2017
Penultimate holding company				
Sungei Way Corporation Sdn. Bhd.				
Deemed interest:				
Evan Cheah Yean Shin ^	50,000,000	72,000,000	-	122,000,000

^ Deemed interest by virtue of Section 8 of the CA 2016 held through parent.

	NUMBER OF ORDINARY SHARES			
	AS AT 1.1.2017	ACQUIRED	SOLD	AS AT 31.12.2017
Ultimate holding company				
Active Equity Sdn. Bhd.				
Direct interest:				
Evan Cheah Yean Shin	12,750	12,750	-	25,500
Deemed interest:				
Evan Cheah Yean Shin ^	102,000	-	-	102,000

^ Deemed interest by virtue of Section 8 of the CA 2016 held through parent.

	NUMBER OF ORDINARY SHARES			
	AS AT 1.1.2017	ACQUIRED	SOLD	AS AT 31.12.2017
Related company				
Sunway Global Limited				
Direct interest:				
Dato' Chew Chee Kin	869,684	-	(180,501)	689,183

	FIRST GRANT OF OPTIONS OVER ORDINARY SHARES (EXERCISE PRICE OF RM1.07+ PER SHARE)		
	NUMBER OF OPTIONS OVER ORDINARY SHARES		
	AS AT 1.1.2017	EXERCISED	AS AT 31.12.2017
Intermediate holding company			
Sunway Berhad			
Direct interests:			
Chung Soo Kiong	320,000	(320,000)	-
Datuk Kwan Foh Kwai #	500,000	(500,000)	-
Dato' Chew Chee Kin	3,375,000	(3,375,000)	-
Evan Cheah Yean Shin	1,200,000	(1,200,000)	-

	SECOND GRANT OF OPTIONS OVER ORDINARY SHARES (EXERCISE PRICE OF RM1.23+ PER SHARE)		
	NUMBER OF OPTIONS OVER ORDINARY SHARES		
	AS AT 1.1.2017	EXERCISED	AS AT 31.12.2017
Intermediate holding company			
Sunway Berhad			
Direct interest:			
Chung Soo Kiong	225,000	(225,000)	-

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

	THIRD GRANT OF OPTIONS OVER ORDINARY SHARES (EXERCISE PRICE OF RM1.40+ PER SHARE) NUMBER OF OPTIONS OVER ORDINARY SHARES			
	AS AT 1.1.2017	ADJUSTMENT**	EXERCISED	AS AT 31.12.2017
Intermediate holding company				
Sunway Berhad				
Direct interests:				
Chung Soo Kiong	150,000	200,000	-	350,000
Datuk Kwan Foh Kwai #	100,000	133,333	-	233,333

	FOURTH GRANT OF OPTIONS OVER ORDINARY SHARES (EXERCISE PRICE OF RM1.26+ PER SHARE) NUMBER OF OPTIONS OVER ORDINARY SHARES		
	AS AT 1.1.2017	EXERCISED	AS AT 31.12.2017
Intermediate holding company			
Sunway Berhad			
Direct interest:			
Chung Soo Kiong	100,000	(100,000)	-

+ Exercise price of the first, second, third and fourth grant of the options has been adjusted to RM1.07, RM1.23, RM1.40 and RM1.26 respectively pursuant to the Bonus Issue of Shares.
** Adjustment made pursuant to the Bonus Issue of Shares.
# Resigned with effect from 31 December 2017.

The options over ordinary shares are pursuant to the Employees' Share Option Scheme 2013/2019 of Sunway Berhad.

By virtue of Evan Cheah Yean Shin's substantial interests in the Company and Active Equity Sdn. Bhd., he is deemed to have interest in the shares of all the subsidiaries of the Company and Active Equity Sdn. Bhd. to the extent the Company and Active Equity Sdn. Bhd. have an interest.

The other Directors in office at the end of the financial year did not have any interests in ordinary shares, warrants or options over ordinary shares in the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 11 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

During the financial year, the intermediate holding company of the Company, Sunway Berhad effected Directors' liability insurance to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors. None of the Directors nor the Group paid for the insurance premium directly as the Group is under the effective cover of Sunway Berhad being its subsidiary company.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to date of this report is as follows:

- Chang Kim Long
- Chong Kok Keong
- Chung Soo Kiong
- Datuk Kwan Foh Kwai
- Eric Tan Chee Hin
- Evan Cheah Yean Shin
- Khor Seng Yan
- Kok Shin Lin
- Kong Heong Fook
- Kumaresan Varadu Rasu
- Kwong Tzyy En
- Liew Kok Wing
- Ng Bee Lien
- Ng Chong Beng
- Tan Sri Dato' (DR) R.V. Navaratnam
- Thomas Samuel A/L CT Samuel
- Wong Kwan Song

DIRECTORS' REPORT (CONT'D)

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2017 are disclosed in Note 9 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 March 2018.

Dato' Chew Chee Kin
Director

Chung Soo Kiong
Director

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Chew Chee Kin and Chung Soo Kiong, being two of the Directors of Sunway Construction Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 163 to 215 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 March 2018.

Dato' Chew Chee Kin
Director

Chung Soo Kiong
Director

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Ng Bee Lien, being the officer primarily responsible for the financial management of Sunway Construction Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 163 to 215 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ng Bee Lien at Petaling Jaya in the State of Selangor Darul Ehsan on 20 March 2018.

Ng Bee Lien
Chief Financial Officer

Before me,

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNWAY CONSTRUCTION GROUP BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Sunway Construction Group Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 163 to 215.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act 2016 in Malaysia.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group and of the Company in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants (By-Laws) and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS FOR THE GROUP

(a) Revenue and profit recognition for construction contracts

Revenue from construction contracts during the financial year as disclosed in Note 5 to the financial statements amounted to RM1,931,392,000.

The revenue and profit recognition on construction contracts involve significant judgements in estimating the stage of completion and assessing the estimated total costs to complete.

In estimating the total costs to complete, the Group considers the completeness and accuracy of its cost estimation, including its obligations to contract variations, claims and cost contingencies. The total costs to complete including sub-contractor costs, varies with market conditions and may also be inaccurately forecasted due to unforeseen events during construction.

Audit response

Our audit procedures included the following:

i. Assessed estimated total costs to complete through inquiries with operational and financial personnel of the Group;
ii. Inspected documentation to support cost estimates made including contract variations and cost contingencies;
iii. Recomputed stage of completion determined by management for revenue recognition based on verified actual costs incurred to-date and budgeted costs;
iv. Compared contract budgets to actual outcomes to assess reliability of management budgeting process; and
v. Inspected correspondences from sub-contractors in relation to variations and claims to corroborate key judgements applied by management.

(b) Assessment of liquidated and ascertained damages (LAD) on construction contracts

Based on Note 28 to the financial statements regarding key estimation uncertainty arising from the assessment of LAD on construction contracts as at 31 December 2017, the Group is of the opinion that no LAD recognition is required at this juncture.

The determination of whether there is any exposure to LAD or otherwise involves significant management judgement based on available facts and circumstances, including:

i. Extension of time submitted to contract customers due to circumstances that were beyond the control of the Group;
ii. The likelihood of impact on the outcome of the negotiations with contract customers; and
iii. Consultations and opinions from technical expert.

Audit response

Our audit procedures included the following:

i. Inquired in-house operational, financial and legal personnel of the Group to assess the merits of the extension of time submitted to the contract customers;
ii. Inspected relevant correspondences and reports, including on-going negotiations with contract customers for the late delivery of contract works;
iii. Verified the evidences of acceptance by contract customers of the work performed by the Group to-date; and
iv. Inquired and inspected the correspondences from the external technical experts to corroborate the key judgements applied by management.

We have determined that there are no key audit matters to be communicated in our auditors' report of the audit of the separate financial statements of the Company.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Group or the Company, or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT (CONT'D)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNWAY CONSTRUCTION GROUP BERHAD

(INCORPORATED IN MALAYSIA)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and of the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 17 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF: 0206
Chartered Accountants

Kuala Lumpur
20 March 2018

Law Kian Huat
2855/06/18 (J)
Chartered Accountant

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		GROUP		COMPANY	
	NOTE	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	5	2,076,290	1,788,844	166,300	132,500
Cost of sales	6	(1,647,661)	(1,409,876)	-	-
Gross profit		428,629	378,968	166,300	132,500
Other income	7	16,741	35,853	-	-
Administrative expenses		(274,477)	(256,103)	(1,717)	(1,842)
Other expenses		(6,244)	(9,473)	-	-
Operating profit		164,649	149,245	164,583	130,658
Finance and other distribution income	8	13,477	10,488	3,462	310
Finance costs	8	(6,084)	(6,056)	-	(39)
Share of results of a joint venture		2,153	-	-	-
Profit before tax	9	174,195	153,677	168,045	130,929
Income tax expense	12	(36,227)	(30,039)	(2)	(4)
Profit for the financial year		137,968	123,638	168,043	130,925
Profit attributable to:					
Owners of the parent		137,830	123,519	168,043	130,925
Non-controlling interests		138	119	-	-
		137,968	123,638	168,043	130,925
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		(1,312)	2,505	-	-
Reclassification of foreign currency translation reserve to profit and loss on deregistration of foreign branches and subsidiaries		(3,508)	-	-	-
Total comprehensive income for the financial year, net of tax		133,148	126,143	168,043	130,925
Total comprehensive income attributable to:					
Owners of the parent		133,080	126,024	168,043	130,925
Non-controlling interests		68	119	-	-
		133,148	126,143	168,043	130,925
Earnings per share attributable to owners of the parent (sen per share):					
Basic	13	10.66	9.55	-	-
Diluted	13	10.66	9.55	-	-

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	NOTE	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
Assets					
Non-current assets					
Property, plant and equipment	15	149,844	138,381	-	-
Intangible assets	16	2,217	2,307	-	-
Investments in subsidiaries	17	-	-	258,580	258,580
Investments in associates	18	-	-	-	-
Other investments	19	273	273	-	-
Investments in joint ventures	20	-	-	-	-
Goodwill	21	3,647	3,647	-	-
Deferred tax assets	32	2,341	10,502	-	-
		158,322	155,110	258,580	258,580
Current assets					
Inventories	22	24,429	23,950	-	-
Trade receivables	23	1,065,912	732,034	-	-
Other receivables	24	39,834	31,912	-	-
Amount due from intermediate holding company	26	309	3	-	-
Amounts due from related companies	26	62,559	147,542	-	-
Amount due from an associate	27	26,479	26,665	-	-
Amount due from a joint venture	26	185	233	-	-
Tax recoverable		21,922	12,737	5	-
Derivative assets	29	-	1,341	-	-
Cash and bank balances	30	487,240	465,768	141,720	46,181
		1,728,869	1,442,185	141,725	46,181
Total assets		1,887,191	1,597,295	400,305	304,761

Sunway Construction Annual Report 2017

AS AT 31 DECEMBER 2017 (CONT'D)

	NOTE	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
Equity and liabilities					
Current liabilities					
Borrowings	31	134,659	136,515	-	-
Trade payables	33	794,194	693,276	-	-
Other payables	34	241,772	178,736	1,099	989
Amount due to intermediate holding company	26	17,628	26,049	-	7
Amounts due to subsidiaries	25	-	-	-	13
Amounts due to related companies	26	131,459	56,911	108	312
Tax payable		5,156	11,418	-	-
Derivative liabilities	29	469	-	-	-
		1,325,337	1,102,905	1,207	1,321
Non-current liabilities					
Deferred tax liabilities	32	7,009	608	-	-
		7,009	608	-	-
Total liabilities		1,332,346	1,103,513	1,207	1,321
Equity attributable to owners of the parent					
Share capital	35	258,580	258,580	258,580	258,580
Treasury shares	35	(1,295)	-	(1,295)	-
Foreign currency translation reserve	36	9,901	14,651	-	-
Merger reserve	36	(37,894)	(37,894)	-	-
Capital contribution by intermediate holding company	36	670	670	-	-
Retained earnings	36	323,762	257,022	141,813	44,860
		553,724	493,029	399,098	303,440
Non-controlling interests		1,121	753	-	-
Total equity		554,845	493,782	399,098	303,440
Total equity and liabilities		1,887,191	1,597,295	400,305	304,761

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

GROUP	NOTE	SHARE CAPITAL (NOTE 35) RM'000	TREASURY SHARES (NOTE 35) RM'000	MERGER RESERVE (NOTE 36) RM'000	FOREIGN CURRENCY TRANSLATION RESERVE (NOTE 36) RM'000	CAPITAL CONTRIBUTION BY INTERMEDIATE HOLDING COMPANY (NOTE 36) RM'000	DISTRIBUTABLE RETAINED EARNINGS (NOTE 36) RM'000	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT, TOTAL RM'000	NON-CONTROLLING INTERESTS RM'000	EQUITY, TOTAL RM'000
		ATTRIBUTABLE TO OWNERS OF THE PARENT								
		NON-DISTRIBUTABLE								
At 1 January 2017		258,580	-	(37,894)	14,651	670	257,022	493,029	753	493,782
Profit for the financial year		-	-	-	-	-	137,830	137,830	138	137,968
Other comprehensive income, net of tax		-	-	-	(4,750)	-	-	(4,750)	(70)	(4,820)
Total comprehensive income		-	-	-	(4,750)	-	137,830	133,080	68	133,148
Transactions with owners										
Additional shares acquired by non-controlling interests		-	-	-	-	-	-	-	300	300
Purchase of treasury shares	35	-	(1,295)	-	-	-	-	(1,295)	-	(1,295)
Dividends paid	14	-	-	-	-	-	(71,090)	(71,090)	-	(71,090)
Total transactions with owners		-	(1,295)	-	-	-	(71,090)	(72,385)	300	(72,085)
At 31 December 2017		258,580	(1,295)	(37,894)	9,901	670	323,762	553,724	1,121	554,845
At 1 January 2016		258,580	-	(37,894)	12,146	670	217,542	451,044	634	451,678
Profit for the financial year		-	-	-	-	-	123,519	123,519	119	123,638
Other comprehensive income, net of tax		-	-	-	2,505	-	-	2,505	-	2,505
Total comprehensive income		-	-	-	2,505	-	123,519	126,024	119	126,143
Transaction with owners										
Dividends paid	14	-	-	-	-	-	(84,039)	(84,039)	-	(84,039)
At 31 December 2016		258,580	-	(37,894)	14,651	670	257,022	493,029	753	493,782

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

COMPANY	NOTE	SHARE CAPITAL (NOTE 35) RM'000	TREASURY SHARES (NOTE 35) RM'000	DISTRIBUTABLE RETAINED EARNINGS/ (ACCUMULATED LOSSES) (NOTE 36) RM'000	EQUITY, TOTAL RM'000
At 1 January 2017		258,580	-	44,860	303,440
Profit for the financial year		-	-	168,043	168,043
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	168,043	168,043
Transactions with owners					
Dividends paid	14	-	-	(71,090)	(71,090)
Purchase of treasury shares	35	-	(1,295)	-	(1,295)
Total transactions with owners		-	(1,295)	(71,090)	(72,385)
At 31 December 2017		258,580	(1,295)	141,813	399,098
At 1 January 2016		258,580	-	(2,026)	256,554
Profit for the financial year		-	-	130,925	130,925
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	130,925	130,925
Transactions with owners					
Dividends paid	14	-	-	(84,039)	(84,039)
At 31 December 2016		258,580	-	44,860	303,440

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities				
Profit before tax	174,195	153,677	168,045	130,929
Adjustments for:				
Accretion of financial assets and financial liabilities	2,940	(4,327)	-	-
Allowance for impairment losses of trade receivables	83	2,670	-	-
Bad debts written off	1,610	370	-	-
Depreciation and amortisation of property, plant and equipment, and software	37,771	39,064	-	-
Dividend income	-	(9)	(166,300)	(132,500)
Employees' share option scheme	(2,978)	991	-	-
Fair value loss/(gain) on derivative assets and liabilities	1,810	(1,341)	-	-
Finance and other distribution income	(13,477)	(10,488)	(3,462)	(310)
Finance costs	6,084	6,056	-	39
Gain on disposal of property, plant and equipment, and software	(935)	(995)	-	-
(Gain)/Loss on liquidation of subsidiaries	(18)	492	-	-
Property, plant and equipment written off	232	813	-	-
Reversal of allowance for impairment losses of trade receivables, other receivables and amount due from an associate	(2,670)	(20,634)	-	-
Share of results of a joint venture	(2,153)	-	-	-
Unrealised foreign exchange gain	(62)	-	-	-
Operating cash flows before working capital changes carried forward	202,432	166,339	(1,717)	(1,842)
Changes in working capital:				
Inventories	(479)	(6,657)	-	-
Trade receivables	(332,756)	(150,005)	-	-
Other receivables	(7,922)	15,585	-	-
Trade payables	97,835	88,597	-	-
Other payables	63,116	41,167	110	362
Amount due from/(to) intermediate holding company	(5,749)	6,806	(7)	7
Amounts due to subsidiaries	-	-	(13)	(1,540)
Amount due from an associate	(2,342)	(3,350)	-	-
Amounts due from/(to) related companies	76,217	(50,572)	(204)	305
Amount due from/(to) a joint venture	48	(236)	-	-
Cash generated from/(used in) operations	90,400	107,674	(1,831)	(2,708)
Interest received	13,477	10,488	3,462	310
Interest paid	(6,084)	(6,056)	-	(39)
Dividend received from a joint venture	2,153	-	-	-
Tax refunded	145	125	-	-
Tax paid	(37,257)	(26,615)	(7)	(4)
Net cash from/(used in) operating activities	62,834	85,616	1,624	(2,441)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment, and software	6,246	2,055	-	-
Acquisitions of property, plant and equipment, and software	(54,688)	(19,016)	-	-
Advances from related companies	83,314	11,250	-	-
(Deposits)/Withdrawal of deposits with licensed banks with maturity of more than 3 months	(7)	370	-	-
Net cash flow from placement in funds	-	78,000	-	-
Dividend received	-	9	166,300	132,500
Net cash from investing activities	34,865	72,668	166,300	132,500
Cash flows from financing activities				
Drawdowns of bills discounting	134,659	136,515	-	-
Proceeds from issuance of ordinary shares to non-controlling interests of a subsidiary	300	-	-	-
Repayments of revolving credits	-	(50,189)	-	-
Repayments of bills discounting	(136,515)	(86,652)	-	-
Dividends paid	(71,090)	(84,039)	(71,090)	(84,039)
Shares buyback	(1,295)	-	(1,295)	-
Net cash used in financing activities	(73,941)	(84,365)	(72,385)	(84,039)
Net increase in cash and cash equivalents	23,758	73,919	95,539	46,020
Effects of exchange rate changes on cash and cash equivalents	(2,293)	1,742	-	-
Cash and cash equivalents at beginning of financial year	465,333	389,672	46,181	161
Cash and cash equivalents at end of financial year (Note 30)	486,798	465,333	141,720	46,181

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

Sunway Construction Group Berhad (the Company) is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Level 8, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

The immediate, intermediate, penultimate and ultimate holding companies of the Company are Sunway Holdings Sdn. Bhd., Sunway Berhad, Sungei Way Corporation Sdn. Bhd. and Active Equity Sdn. Bhd. respectively, all of which are incorporated in Malaysia. Sunway Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad and produces financial statements available for public use. Related companies refer to companies within the Sunway Berhad group of companies.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 17 to the financial statements.

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution by the Directors on 20 March 2018.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand (RM'000), unless otherwise stated.

The new MFRSs and amendments to MFRSs adopted during the financial year are set out in Note 41(A) to the financial statements.

3. SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services. In addition, the businesses are considered from a geographical perspective. The Group's reporting segments are as follows:

(i) Construction

Turnkey, construction related design and build, civil engineering, building works, geotechnical services and related products, hire of heavy machineries, mechanical and engineering works, facade engineering and consultancy services and transportation agent.

(ii) Precast concrete

Construction engineering, sub-contracting works for precast fabrication, manufacturing and distribution of precast components and building materials.

Operating segments that have been aggregated to form the above reporting segments are as indicated as above. These operating segments are aggregated due to the similar nature and economic characteristics of the businesses.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise tax assets and liabilities, corporate assets, liabilities and expenses, if any.

Segment revenue, expenses and results include transfers between business segments. The inter-segment transactions have been entered into, on negotiated basis and are eliminated on consolidation. These policies have been applied consistently throughout the current and previous financial years.

Sunway Construction Annual Report 2017

BUSINESS SEGMENTS

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	CONSTRUCTION RM'000	PRECAST CONCRETE RM'000	ELIMINATION RM'000	NOTE	TOTAL RM'000
At 31 December 2017					
Revenue					
Sales to external customers	1,931,392	144,898	-		2,076,290
Inter-segment sales	521,894	92,129	(614,023)	A	-
Total revenue	2,453,286	237,027	(614,023)		2,076,290
Results					
Operating profit	137,203	27,446	-	A	164,649
Finance and other distribution income	13,414	63	-		13,477
Finance costs	(6,084)	-	-		(6,084)
Share of results of a joint venture	2,153	-	-		2,153
Profit before tax	146,686	27,509	-		174,195
Income tax expense	(33,026)	(3,201)	-		(36,227)
Net profit for the year	113,660	24,308	-		137,968
Non-controlling interests	(138)	-	-		(138)
Attributable to owners of the parent	113,522	24,308	-		137,830
Assets					
Segment assets	1,693,892	169,036	-		1,862,928
Unallocated assets					24,263
Total assets					1,887,191
Liabilities					
Segment liabilities	1,259,669	60,512	-		1,320,181
Unallocated liabilities					12,165
Total liabilities					1,332,346
Other segment information					
Capital expenditure	44,728	9,960	-	B	54,688
Depreciation and amortisation	34,824	2,947	-		37,771

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SEGMENT INFORMATION (CONT'D)

BUSINESS SEGMENTS (CONT'D)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment (cont'd):

	CONSTRUCTION RM'000	PRECAST CONCRETE RM'000	ELIMINATION RM'000	NOTE	TOTAL RM'000
At 31 December 2016					
Revenue					
Sales to external customers	1,502,099	286,745	-		1,788,844
Inter-segment sales	387,070	80,695	(467,765)	A	-
Total revenue	1,889,169	367,440	(467,765)		1,788,844
Results					
Operating profit	91,052	58,193	-	A	149,245
Finance and other distribution income	10,456	32	-		10,488
Finance costs	(6,054)	(2)	-		(6,056)
Profit before tax	95,454	58,223	-		153,677
Income tax expense	(18,261)	(11,778)	-		(30,039)
Net profit for the year	77,193	46,445	-		123,638
Non-controlling interests	(119)	-	-		(119)
Attributable to owners of the parent	77,074	46,445	-		123,519
Assets					
Segment assets	1,346,351	227,705	-		1,574,056
Unallocated assets					23,239
Total assets					1,597,295
Liabilities					
Segment liabilities	994,026	97,461	-		1,091,487
Unallocated liabilities					12,026
Total liabilities					1,103,513
Other segment information					
Capital expenditure	14,827	4,189	-	B	19,016
Depreciation and amortisation	35,823	3,241	-		39,064

GEOGRAPHICAL SEGMENTS

The following table provides an analysis of the Group's revenue, profit before tax, net profit, profit attributable to owners of the parent and assets by geographical segment:

	REVENUE RM'000	PROFIT BEFORE TAX RM'000	NET PROFIT RM'000	ATTRIBUTABLE TO OWNERS OF THE PARENT RM'000	SEGMENT ASSETS RM'000
At 31 December 2017					
Malaysia	1,927,831	140,002	107,336	107,198	1,693,941
Singapore	144,898	24,239	20,678	20,678	100,343
India	3,561	5,059	5,059	5,059	27,638
United Arab Emirates	-	4,895	4,895	4,895	41,006
	2,076,290	174,195	137,968	137,830	1,862,928
At 31 December 2016					
Malaysia	1,502,100	100,793	76,688	76,557	1,326,039
Singapore	286,744	34,316	28,382	28,382	167,345
India	-	(816)	(816)	(816)	32,252
United Arab Emirates	-	19,384	19,384	19,396	48,420
	1,788,844	153,677	123,638	123,519	1,574,056

Note	Nature of eliminations to arrive at amounts reported in the consolidated financial statements
A	Inter-segment revenues and profit are eliminated on consolidation.
B	Capital expenditures consist of:

	2017 RM'000	2016 RM'000
Property, plant and equipment	52,880	15,386
Software	1,808	3,630
	54,688	19,016

MAJOR CUSTOMERS

Revenue from two (2) customers (2016: two (2) customers) from the construction segment represent approximately RM835,346,000 (2016: RM415,426,000) of the Group's revenue.

The following are major customers with revenue equal or more than ten percent (10%) of Group's revenue:

	REVENUE	
	2017 RM'000	2016 RM'000
Customer A	344,124	230,807
Customer B	491,222	184,619
	835,346	415,426

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. CAPITAL AND FINANCIAL RISK MANAGEMENT

(A) CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is the maintenance of a strong credit rating and healthy capital ratio, in order to support the Group's and the Company's businesses and maximising shareholders' value.

The Group and the Company manage their capital structure by ensuring that financial commitments are met as and when they fall due. In addition, divestment of the Group's and of the Company's non-core assets which provide low returns are also made to optimise the capital structure of the Group and of the Company.

The Group and the Company monitor capital utilisation using the gearing ratio. This ratio is used to assess the appropriateness of the Group's and of the Company's debt level, hence its capital structure. The ratio is calculated as total loans and borrowings divided by total equity. Total equity is the equity attributable to owners of the parent.

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and borrowings (Note 31)	134,659	136,515	-	-
Equity attributable to owners of the parent	553,724	493,029	399,098	303,440
Gearing ratio	24%	28%	N/A	N/A

The Group is in a net cash position as it holds RM487,240,000 (2016: RM465,768,000) in cash.

The Group is not subject to any other externally imposed capital requirements.

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the current financial year and previous financial year, the Group's policy that no trading in derivative financial instruments shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

Interest rate risk

The Group's and the Company's interest rate risk arises primarily from interest bearing amounts due from/(to) related companies, deposits with licensed banks and borrowings.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 26, 30 and 31 respectively.

Foreign currency risk

The Group is not significantly exposed to foreign currency risk as the majority of the Group's transactions, assets and liabilities are denominated in Ringgit Malaysia (RM) except for foreign currency risk arising from a country in which certain foreign subsidiaries operate. The currency giving rise to this risk is primarily Singapore Dollar (SGD).

Approximately 7% (2016: 16%) of the Group's sales are denominated in foreign currencies whilst almost 7% (2016: 17%) of costs are denominated in the respective functional currencies of the Group's entities.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the revenue stream to be generated from its investments.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting date, such foreign currency balances amounted to RM26,543,000 (2016: RM49,036,000).

Material foreign currency transactions exposures are hedged, mainly with derivative financial instruments such as forward currency contracts.

In relation to its investments in foreign subsidiaries whose net assets are exposed to currency translation risks and which are held for long term investment purposes, the differences arising from such translation are recorded under the foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

Foreign currency risk exposure

The currency risk exposure profiles for each class of financial instruments are as follows:

GROUP	SGD RM'000	OTHERS RM'000
At 31 December 2017		
Financial assets in foreign currencies		
Cash and bank balances	26,165	378
Trade and other receivables	71,420	40,161
Financial liabilities in foreign currencies		
Trade and other payables	(17,700)	(25,107)
Net exposure	79,885	15,432
At 31 December 2016		
Financial assets in foreign currencies		
Cash and bank balances	47,651	1,385
Trade and other receivables	103,405	42,990
Financial liabilities in foreign currencies		
Trade and other payables	(62,874)	(25,502)
Net exposure	88,182	18,873

COMPANY		

At 31 December 2017/2016

The currency risk exposure profile of the Company is not presented as there is no exposure to foreign currency at the end of the reporting period.

Sunway Construction Annual Report 2017

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the foreign exchange rates against the functional currency of the Group, with all other variables held constant.

	GROUP PROFIT NET OF TAX	
	2017 RM'000	2016 RM'000
SGD/RM		
- strengthened 2% (2016: 1%)	1,326	653
- weakened 2% (2016: 1%)	(1,326)	(653)

The exposure to the other currencies are not significant, hence the effects of the changes in the exchange rates are not presented.

Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

The analysis of financial instruments by remaining contractual maturities have been disclosed in Notes 25, 26, 29, 31, 33 and 34 respectively.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The credit risk concentration profiles have been disclosed in Note 23 to the financial statements.

5. REVENUE

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Contract revenue	1,931,392	1,502,099	-	-
Sale of goods	144,898	286,745	-	-
Dividend income	-	-	166,300	132,500
	2,076,290	1,788,844	166,300	132,500

(a) Contract revenue

Revenue from construction contracts is accounted for by the stage of completion method as disclosed in Note 28 to the financial statements.

(b) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(c) Dividend income

Dividend income is recognised when the right of the Company to receive payment is established.

6. COST OF SALES

	GROUP	
	2017 RM'000	2016 RM'000
Construction costs	1,537,532	1,191,754
Cost of goods sold	110,129	218,122
	1,647,661	1,409,876

7. OTHER INCOME

Included in other income are the following:

	GROUP	
	2017 RM'000	2016 RM'000
Rental income from plant and machinery	929	2,047
Dividend income	-	9
Gain on disposal of property, plant and equipment, and software	935	995
Rental income from buildings	-	130
Fair value gain on derivative assets and liabilities	-	1,341
Accretion of financial assets	142	4,327
Reclassification of foreign currency translation reserve to profit and loss on deregistration of foreign branches and subsidiaries	4,818	-
Foreign exchange gain:		
- realised	612	353
- unrealised	62	-

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

8. FINANCE AND OTHER DISTRIBUTION INCOME AND FINANCE COSTS

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance and other distribution income				
Finance and other distribution income from:				
Arbitration	2,408	-	-	-
Advances to:				
- a related company (Note 40)	68	230	-	-
Deposits with licensed banks	272	383	-	17
Deposits with other financial institutions	10,700	9,813	3,456	293
Others	29	62	6	-
	13,477	10,488	3,462	310
Finance costs				
Interest expense on:				
Advances from:				
- a subsidiary (Note 40)	-	-	-	(39)
- related companies (Note 40)	(2,625)	(3,132)	-	-
Bank borrowings	(3,459)	(2,924)	-	-
	(6,084)	(6,056)	-	(39)

Interest income from short term deposits and advances is recognised on an accrual basis, using the effective interest method, unless recoverability is in doubt, in which case, it is recognised on receipt basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the following amounts have been included in arriving at profit before tax:

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Auditors' remuneration:				
Statutory audits	565	669	17	17
Underprovision in prior year	8	31	-	-
Other services	3	4	-	-
Written off of property, plant and equipment, and intangible assets	232	813	-	-
Bad debts written off	1,610	370	-	-
Reclassification of foreign currency translation reserve to profit and loss on deregistration of foreign branches and subsidiaries	(3,508)	-	-	-
Foreign exchange losses:				
Realised	603	358	-	-
Fair value loss/(gain) on derivative assets and liabilities	1,810	(1,341)	-	-
Accretion of financial assets and liabilities	2,940	(4,327)	-	-
Rental of land and buildings	6,474	13,515	-	-
Hire of plant and machinery	650	175	-	-
Management fees paid to intermediate holding company (Note 40)	18,348	17,319	-	-
(Gain)/Loss on liquidation of subsidiaries	(18)	492	-	-
Service level agreement fee paid to related companies (Note 40)	4,307	5,334	-	43

10. EMPLOYEE BENEFITS EXPENSE

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries, allowances and bonuses	162,456	152,019	-	-
Social security contributions	1,080	937	-	-
Contributions to defined contribution plan	12,526	13,504	-	-
Employees' share option scheme	(2,978)	991	-	-
Other benefits	4,949	6,335	65	64
	178,033	173,786	65	64

Included in employee benefits expense of the Group are Executive Director's remuneration amounting to RM2,916,000 (2016: RM2,062,000) as further disclosed in Note 11 to the financial statements.

Sunway Construction Annual Report 2017

11. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive Directors' remuneration:				
Salaries and bonuses	2,428	1,518	-	-
Contribution to defined contribution plan	292	179	-	-
Employees' share option scheme	-	301	-	-
Other benefits	196	64	-	-
Total Executive Directors' remuneration excluding benefits-in-kind (Note 10)	2,916	2,062	-	-
Estimated money value of benefits-in-kind	39	16	-	-
Total Executive Directors' remuneration including benefits-in-kind (Note 40)	2,955	2,078	-	-
Non-Executive Directors' remuneration:				
Fees	718	641	718	641
Other emoluments	539	544	59	64
	1,257	1,185	777	705
Total Directors' remuneration including benefits-in-kind	4,212	3,263	777	705

The number of Directors of the Group whose total remuneration during the financial year fell within the following bands is analysed below:

	NUMBER OF DIRECTORS	
	2017	2016
Executive Director:		
RM2,000,000 - RM2,050,000	-	1
RM2,950,000 - RM3,000,000	1	-
Non-Executive Directors:		
RM100,000 - RM150,000	6	6
RM550,000 - RM600,000 *	1	1

* The remuneration included fee payable to the Director appointed as an advisor of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current income tax:				
Malaysian income tax	19,818	24,376	2	4
Foreign tax	3,355	5,939	-	-
	23,173	30,315	2	4
Under/(Over) provision in prior years:				
Malaysian income tax	253	733	-	-
Foreign tax	(1,772)	(765)	-	-
	(1,519)	(32)	-	-
	21,654	30,283	2	4
Deferred tax (Note 32):				
Relating to origination and reversal of temporary differences	10,706	1,564	-	-
Under/(Over) provision in prior years	3,867	(1,808)	-	-
	14,573	(244)	-	-
Total income tax expense	36,227	30,039	2	4

(a) Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

(b) Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

(c) A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	GROUP	
	2017 RM'000	2016 RM'000
Profit before tax	174,195	153,677
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	41,807	36,882
Different tax rates in other countries	(1,692)	(2,403)
Effect of reduction in tax rates arising from incremental taxable income	(1,036)	-
Income not subject to tax	(6,397)	(7,748)
Expenses not deductible for tax purposes	1,786	5,161
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances and other deductible temporary differences	-	41
Utilisation of deferred tax assets previously not recognised	(72)	(54)
Effect of share of profit of a joint venture	(517)	-
Over provision of income tax in prior years	(1,519)	(32)
Under/(Over) provision of deferred tax in prior years	3,867	(1,808)
Income tax expense for the year	36,227	30,039

	COMPANY	
	2017 RM'000	2016 RM'000
Profit before tax	168,045	130,929
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	40,331	31,423
Income not subject to tax	(40,741)	(31,874)
Expenses not deductible for tax purposes	412	455
Income tax expense for the year	2	4

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. EARNINGS PER SHARE

(A) BASIC

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	GROUP	
	2017 RM'000	2016 RM'000
Profit attributable to owners of the parent	137,830	123,519
Weighted average number of ordinary shares in issue ('000)	1,292,553	1,292,900
Basic earnings per ordinary share (sen)	10.66	9.55

(B) DILUTED

Diluted earnings per share equals basic earnings per ordinary share.

14. DIVIDENDS

	GROUP			
	DIVIDENDS IN RESPECT OF YEAR		DIVIDENDS RECOGNISED IN YEAR	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interim dividend for 2015:				
Single-tier dividend of 4.0 sen per ordinary share	-	-	-	51,716
Interim dividend for 2016:				
Single-tier dividend of 2.5 sen per ordinary share	-	32,323	-	32,323
Single-tier dividend of 2.5 sen per ordinary share	-	32,323	32,323	-
Interim dividend for 2017:				
Single-tier dividend of 3.0 sen per ordinary share	38,767	-	38,767	-
Single-tier dividend of 4.0 sen per ordinary share	51,690	-	-	-
	90,457	64,646	71,090	84,039

On 26 February 2018, the Board of Directors declared a second interim single-tier dividend of 4.0 sen per ordinary share for the financial year ended 31 December 2017. The total dividend payable amounted to approximately RM51,690,000. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

The Board of Directors do not recommend any final dividend for the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. PROPERTY, PLANT AND EQUIPMENT

GROUP	FREEHOLD LAND RM'000	BUILDINGS RM'000	PLANT AND MACHINERY RM'000	MOTOR VEHICLES RM'000	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM'000	CAPITAL WORK-IN-PROGRESS RM'000	TOTAL RM'000
At 31 December 2017							
Cost							
At beginning of financial year	8,538	13,332	282,334	24,328	13,867	4,719	347,118
Additions	-	2,296	47,343	2,145	1,096	-	52,880
Written-off	-	(42)	(8,067)	(195)	(907)	(101)	(9,312)
Disposals	-	-	(20,218)	(4,118)	(184)	-	(24,520)
Reclassifications (Note 16)	-	2,540	1,554	46	(4,229)	(4,140)	(4,229)
Exchange differences	-	-	42	5	(74)	-	(27)
At end of financial year	8,538	18,126	302,988	22,211	9,569	478	361,910
Accumulated depreciation							
At beginning of financial year	-	4,162	174,102	15,639	11,291	-	205,194
Depreciation charge for the year	-	908	30,326	3,033	1,008	-	35,275
Written-off	-	(42)	(7,966)	(192)	(880)	-	(9,080)
Disposals	-	-	(15,763)	(3,270)	(176)	-	(19,209)
Reclassifications (Note 16)	-	-	-	-	(3,631)	-	(3,631)
Exchange differences	-	-	28	3	(57)	-	(26)
At end of financial year	-	5,028	180,727	15,213	7,555	-	208,523
Accumulated impairment losses							
At beginning/end of financial year	-	-	3,543	-	-	-	3,543
Net carrying amount	8,538	13,098	118,718	6,998	2,014	478	149,844

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP (CONT'D)	FREEHOLD LAND RM'000	BUILDINGS RM'000	PLANT AND MACHINERY RM'000	MOTOR VEHICLES RM'000	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM'000	CAPITAL WORK-IN-PROGRESS RM'000	TOTAL RM'000
At 31 December 2016							
Cost							
At beginning of financial year	8,538	11,491	296,057	24,238	15,741	4,719	360,784
Additions	-	1,870	7,927	3,866	1,723	-	15,386
Written-off	-	(29)	(15,748)	(181)	(3,439)	-	(19,397)
Disposals	-	-	(6,164)	(3,646)	(200)	-	(10,010)
Exchange differences	-	-	262	51	42	-	355
At end of financial year	8,538	13,332	282,334	24,328	13,867	4,719	347,118
Accumulated depreciation							
At beginning of financial year	-	3,468	163,608	14,686	13,696	-	195,458
Depreciation charge for the year	-	723	31,459	3,922	1,039	-	37,143
Written-off	-	(29)	(15,046)	(178)	(3,331)	-	(18,584)
Disposals	-	-	(6,126)	(2,830)	(142)	-	(9,098)
Exchange differences	-	-	207	39	29	-	275
At end of financial year	-	4,162	174,102	15,639	11,291	-	205,194
Accumulated impairment losses							
At beginning/end of financial year	-	-	3,543	-	-	-	3,543
Net carrying amount	8,538	9,170	104,689	8,689	2,576	4,719	138,381

(a) All items of property, plant and equipment are initially recorded at cost. After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	%
Buildings	2 - 15
Plant and machinery	10 - 20
Motor vehicles	20
Office equipment, furniture and fittings	10 - 33

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The useful lives and residual values of other components of property, plant and equipment are estimated based on common life expectancies and commercial factors applied in the various respective industries.

Changes in expected level of usage, occupancy rates and economic development could impact the economic useful lives and the residual values of these assets, and hence future depreciation charges on such assets could be revised.

16. INTANGIBLE ASSETS

SOFTWARE	GROUP 2017 RM'000	GROUP 2016 RM'000
Cost		
At beginning of financial year	12,031	9,200
Transfer from property, plant and equipment (Note 15)	4,229	-
Additions	1,808	3,630
Written-off	(8)	(5)
Disposals	-	(794)
At end of financial year	18,060	12,031
Accumulated amortisation		
At beginning of financial year	9,724	8,454
Transfer from property, plant and equipment (Note 15)	3,631	-
Amortisation charge for the year	2,496	1,921
Written-off	(8)	(5)
Disposals	-	(646)
At end of financial year	15,843	9,724
Net carrying amount	2,217	2,307

Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives. The amortisation expense on intangible assets with finite life is included within the other expenses line item.

Software

Software that does not form an integral part of the related hardware is treated as intangible asset with finite life and is amortised over its estimated useful life of three (3) years.

17. INVESTMENTS IN SUBSIDIARIES

	GROUP 2017 RM'000	GROUP 2016 RM'000
At cost		
Unquoted ordinary shares	258,580	258,580

(a) Investments in subsidiaries are stated in the separate financial statements at cost.

(b) All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(c) During the financial year, the Group completed the following acquisitions of shares:

(i) On 17 March 2017, Sunway Construction Sdn. Bhd. (SunCon), a wholly-owned subsidiary of the Company had subscribed additional 2,500,000 ordinary shares in Sunway Concrete Products (M) Sdn. Bhd. (SCPM) for RM2,500,000.

(ii) On 16 May 2017, SunCon had subscribed additional 450,000 ordinary shares in Sunway Facade Network Sdn. Bhd. (SFN) for RM450,000. No changes in the equity interest in Sunway Facade Network Sdn. Bhd. as at the end of reporting period; and

(iii) On 24 November 2017, SunCon had acquired 100% equity interest in Sunway Innopave (S) Pte. Ltd. for a cash consideration of SGD100.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(d) During the financial year, the following subsidiaries of the Group had been struck off:

(i) On 25 October 2016, Sunway Construction (S) Pte. Ltd. had applied to the Accounting and Corporate Regulatory Authority, Singapore (ACRA) for the striking off from the Registrar pursuant to Section 344A of the Singapore Companies Act, Cap. 50. According to the Final Gazette Notification of ACRA published on 9 February 2017, this company had been officially struck off from the Registrar on 6 February 2017; and

(ii) On 19 July 2017, Sunway Geotechnics (S) Pte. Ltd. had applied to the ACRA for the striking off from the Registrar pursuant to Section 344A of the Singapore Companies Act, Cap. 50. According to the Final Gazette Notification of ACRA published on 9 November 2017, this company had been officially struck off from the Registrar on 6 November 2017.

(e) On 8 March 2018, SunCon had disposed of its entire equity interest comprising 1,000,000 ordinary shares in Sunway GD Piling Sdn. Bhd. in the following manner:

Name of Transferor	Name of Transferee	Number of Shares '000	Consideration RM'000
SunCon	Sunway City Sdn. Bhd.	700	795
SunCon	Chang Kim Long	300	341
Total		1,000	1,136

Details of the subsidiaries are as follows:

NAME OF COMPANIES	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	% OF OWNERSHIP INTEREST HELD BY			
			GROUP		NON-CONTROLLING INTEREST	
			2017 %	2016 %	2017 %	2016 %
Subsidiary of Sunway Construction Group Berhad						
Sunway Construction Sdn. Bhd.	Malaysia	Turnkey, construction related design and build, civil engineering and building works, and transportation agent	100.00	100.00	-	-

NAME OF COMPANIES	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	% OF OWNERSHIP INTEREST HELD BY			
			GROUP		NON-CONTROLLING INTEREST	
			2017 %	2016 %	2017 %	2016 %
Subsidiaries of Sunway Construction. Sdn. Bhd.						
Sunway Innopave Sdn. Bhd.	Malaysia	Construction of civil and building works and provision of project management	100.00	100.00	-	-
Sunway Machinery Sdn. Bhd.	Malaysia	Renting of machinery and site equipment and undertaking of sub-contract work	100.00	100.00	-	-
Sunway Engineering Sdn. Bhd.	Malaysia	Provision of mechanical and engineering services	100.00	100.00	-	-
Sunway Industrial Products Sdn. Bhd.	Malaysia	Investment holding	100.00	100.00	-	-
Sunway Construction India Pte. Ltd. **	India	Construction of civil and building works	100.00	100.00	-	-

Sunway Construction Annual Report 2017

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (cont'd):

NAME OF COMPANIES	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	% OF OWNERSHIP INTEREST HELD BY GROUP 2017 %	GROUP 2016 %	NON-CONTROLLING INTEREST 2017 %	NON-CONTROLLING INTEREST 2016 %
Subsidiaries of Sunway Construction Sdn. Bhd. (cont'd)						
Sunway Machineries Services Sdn. Bhd.	Malaysia	Investment holding	100.00	100.00	-	-
Sunway Creative Stones Sdn. Bhd.	Malaysia	Dormant	70.00	70.00	30.00	30.00
Sunway Precast Industries Sdn. Bhd.	Malaysia	Manufacturing precast concrete building components and undertaking of precast concrete building contracts	100.00	100.00	-	-
Sunway Builders Sdn. Bhd.	Malaysia	Construction of civil and building works	100.00	100.00	-	-
Sunway Construction Caribbean Limited ^	Trinidad and Tobago	Dormant	100.00	100.00	-	-
Sunway GD Piling Sdn. Bhd. ** @	Malaysia	Dormant	100.00	100.00	-	-
Sunway Geotechnics (M) Sdn. Bhd.	Malaysia	Provision of geotechnical services and related products and hire of heavy machineries	100.00	100.00	-	-
Sunway Construction (S) Pte. Ltd. +	Singapore	Dormant	-	100.00	-	-
Sunspan Sdn. Bhd. **	Malaysia	Dormant	100.00	100.00	-	-
Sunway Facade Network Sdn. Bhd.	Malaysia	Facade engineering and consultancy	60.00	60.00	40.00	40.00

NAME OF COMPANIES	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	% OF OWNERSHIP INTEREST HELD BY GROUP 2017 %	GROUP 2016 %	NON-CONTROLLING INTEREST 2017 %	NON-CONTROLLING INTEREST 2016 %
Subsidiaries of Sunway Construction Sdn. Bhd. (cont'd)						
Sunway Visioneering Sdn. Bhd. (Formerly known as Sunway VDC Sdn. Bhd.)	Malaysia	Dormant	100.00	100.00	-	-
Sunway Concrete Products (M) Sdn. Bhd.	Malaysia	Manufacture of prefabricated structural and metal components for building or civil engineering of cement, concrete or artificial stones	100.00	100.00	-	-
Sunway Innopave (S) Pte. Ltd. ^	Singapore	Investment holding	100.00	-	-	-
Subsidiary of Sunway Machineries Services Sdn. Bhd.						
Sunway SK Sdn. Bhd.	Malaysia	Construction of building and civil works	100.00	100.00	-	-
Subsidiary of Sunway Industrial Products Sdn. Bhd.						
Sunway Concrete Products (S) Pte. Ltd. *	Singapore	Manufacturing and sale of precast concrete building components	100.00	100.00	-	-
Subsidiary of Sunway Geotechnics (M) Sdn. Bhd.						
Sunway Geotechnics (S) Pte. Ltd. #	Singapore	Dormant	-	100.00	-	-

* Audited by BDO Member Firms.
** Audited by firms of auditors other than BDO in Malaysia and BDO Member Firms.
+ Struck off on 6 February 2017 pursuant to Section 344A of Singapore Companies Act, Cap.50.
# Struck off on 6 November 2017 pursuant to Section 344A of Singapore Companies Act, Cap.50.
@ Disposed on 8 March 2018.
^ Subsidiaries consolidated based on management accounts for the financial year/period ended 31 December 2017 as these subsidiaries are not required to be audited.

Summarised information of companies with non-controlling interests are not presented as the non-controlling interests of these companies are immaterial to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. INVESTMENTS IN ASSOCIATES

	GROUP	
	2017 RM'000	2016 RM'000
At cost:		
Unquoted:		
Share of post-acquisition profits	-	-

(a) Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements.

(b) The financial year end of the associates are coterminous with the financial year end of the Group.

(c) Details of the associates are as follows:

NAME OF ASSOCIATES	COUNTRY OF INCORPORATION	PROPORTION OF OWNERSHIP INTEREST		PRINCIPAL ACTIVITIES
		2017 %	2016 %	
Associate of Sunway Builders Sdn. Bhd.				
ISZL Consortium *	Unincorporated Abu Dhabi	25.00	25.00	Construction
Associate of Sunway Construction Sdn. Bhd.				
IJM Construction Sdn. Bhd. - Jalinan Rejang Sdn. Bhd. - Maltimur Resources Sdn. Bhd. - Sunway Construction Sdn. Bhd. Consortium ^	Unincorporated Malaysia	25.00	-	Dormant

* Audited by firms of auditors other than BDO in Malaysia and BDO Member Firms.
^ Statutory audit not required as at 31 December 2017.

(d) On 29 November 2017, SunCon has entered into a pre-bid agreement with IJM Construction Sdn. Bhd., Maltimur Resources Sdn. Bhd. and Jalinan Rajang Sdn. Bhd. (collectively referred as Parties) to work with each other on an exclusive basis to participate in the tender for the project known as Kuala Lumpur - Singapore High Speed Rail (Project).

The Parties have set up a consortium on a 30:22.5:22.5:25 basis known as IJM Construction Sdn. Bhd. - Jalinan Rajang Sdn. Bhd. - Maltimur Resources Sdn. Bhd. - Sunway Construction Sdn. Bhd. Consortium for the submission of the tender and to undertake the Project in the event the bid is successful.

(e) Summarised financial information in respect of the Group's associate is set out below. The summarised financial information represents the amounts in the financial statements of the associate and not the Group's share of those amounts.

(I) SUMMARISED STATEMENT OF FINANCIAL POSITION

	ISZL CONSORTIUM	
	2017 RM'000	2016 RM'000
Current assets	130,015	143,669
Total assets	130,015	143,669
Loan from Consortium Members	(50,756)	(54,848)
Current liabilities	(120,310)	(129,414)
Total liabilities	(171,066)	(184,262)
Net liabilities	(41,051)	(40,593)

(II) SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	ISZL CONSORTIUM	
	2017 RM'000	2016 RM'000
Revenue	-	-
Loss before tax	(4,543)	(4,378)
Total comprehensive loss	(4,543)	(4,378)

(III) RECONCILIATION OF THE SUMMARISED FINANCIAL INFORMATION PRESENTED ABOVE TO THE CARRYING AMOUNT OF THE GROUP'S INTEREST IN ASSOCIATE

	ISZL CONSORTIUM	
	2017 RM'000	2016 RM'000
Net liabilities at 1 January	(40,593)	(34,355)
Loss for the year	(4,543)	(4,378)
Effect of translation to closing foreign exchange rates	4,085	(1,860)
Net liabilities at 31 December	(41,051)	(40,593)
Interest in associate as at year end	25%	25%
Carrying value of Group's interest in associate	(10,263)	(10,148)
Less: Losses not recognised	10,263	10,148
	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. OTHER INVESTMENTS

	GROUP	
	2017 RM'000	2016 RM'000
Non-current		
Available-for-sale financial assets:		
- Corporate membership	273	273

20. INVESTMENTS IN JOINT VENTURES

	GROUP	
	2017 RM'000	2016 RM'000
At cost:		
Unquoted:		
Share of post-acquisition profits, net of dividends received	-	-

(a) Investments in joint ventures are accounted for using the equity method of accounting in the consolidated financial statements.

(b) The Group has determined that all of its joint arrangements structured through separate vehicles provide rights to the net assets and are therefore, classified as joint ventures.

(c) The financial year end of the joint ventures are coterminous with the financial year end of the Group, except for IJM Sunway Sdn. Bhd., which has a financial year end of 31 March. Management account of this joint venture for the financial year ended 31 December 2017 has been used for the purpose of applying the equity method of accounting.

(d) Details of the joint ventures are as follows:

NAME OF JOINT VENTURES	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	EFFECTIVE INTEREST IN EQUITY	
			2017 %	2016 %
SunCity SunCon Joint Venture	Unincorporated Malaysia	Property development	50.00	50.00
Silver Coast-Sunway Innopave J. V. ^	Unincorporated Abu Dhabi	Construction works	60.00	60.00
Sunway Geotechnics (M) Sdn. Bhd. - Bauer (Malaysia) Sdn. Bhd. Joint Venture *	Unincorporated Malaysia	Bored piling works, installation of plunge in column and associated ancillary works	50.00	50.00
IJM Sunway Sdn. Bhd. *	Malaysia	Investment Holding	50.00	50.00
HL-Sunway JV Pte. Ltd. ^	Singapore	Dormant	49.00	-
Taisei-Sunway Joint Venture ^	Unincorporated Malaysia	Construction works	50.00	-

* Audited by firms of auditors other than BDO in Malaysia and BDO Member Firms.
^ Statutory audit not required as at 31 December 2017.

(e) On 14 November 2017, SunCon has entered into an agreement with Taisei Corporation to form a joint venture known as Taisei-Sunway Joint Venture on a 50:50 basis for the purpose of undertaking the project in respect of the design and build works for Nippon Express' new warehouse located at Section 21, Shah Alam.

(f) On 30 January 2018, Sunway Concrete Product (S) Pte. Ltd., a wholly owned subsidiary of SunCon, has entered into an agreement with HL Building Materials Pte. Ltd. to form a joint venture known as HL-Sunway JV Pte. Ltd. on a 49:51 basis to tender for the lease of land in Singapore from the Building and Construction Authority.

(g) Summarised information of joint ventures that are material to the Group is set out below. The summarised information represents the amounts in the MFRS financial statements of the joint ventures (translated to RM, where applicable, based on exchange rates as at the end of the reporting period) and not the Group's share of those amounts. The other joint ventures are not material to the Group.

(I) SUMMARISED STATEMENTS OF FINANCIAL POSITION

	SUNCITY SUNCON RM'000	SILVER COAST-SUNWAY INNOPAVE RM'000	TOTAL RM'000
At 31 December 2017			
Non-current assets	39	555	594
Cash and cash equivalents	3,891	2,773	6,664
Other current assets	2,025	76	2,101
Current assets	5,916	2,849	8,765
Total assets	5,955	3,404	9,359
Trade and other payables and provisions	3,801	3,404	7,205
Total current liabilities	3,801	3,404	7,205
Net assets	2,154	-	2,154
At 31 December 2016			
Non-current assets	39	613	652
Cash and cash equivalents	6,044	3,052	9,096
Other current assets	1,990	-	1,990
Current assets	8,034	3,052	11,086
Total assets	8,073	3,665	11,738
Trade and other payables and provisions	8,073	3,665	11,738
Total current liabilities	8,073	3,665	11,738
Net assets	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. INVESTMENTS IN JOINT VENTURES (CONT'D)

(g) Summarised information of joint ventures that are material to the Group is set out below. The summarised information represents the amounts in the MFRS financial statements of the joint ventures (translated to RM, where applicable, based on exchange rates as at the end of the reporting period) and not the Group's share of those amounts. The other joint ventures are not material to the Group (cont'd).

(II) SUMMARISED STATEMENTS OF COMPREHENSIVE INCOME

	SUNCITY SUNCON RM'000	SILVER COAST-SUNWAY INNOPAVE RM'000	TOTAL RM'000
At 31 December 2017			
Revenue	1,606	-	1,606
Depreciation and amortisation	(7)	-	(7)
Interest income	228	-	228
Profit before tax	4,307	-	4,307
Income tax expense	-	-	-
Profit after tax	4,307	-	4,307
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	4,307	-	4,307
Dividend received from the joint venture during the year	2,153	-	2,153
At 31 December 2016			
Revenue	1,128	-	1,128
Depreciation and amortisation	(10)	-	(10)
Interest income	593	-	593
Interest expense	(14)	-	(14)
Profit before tax	-	-	-
Income tax expense	-	-	-
Profit after tax	-	-	-
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	-	-

(III) RECONCILIATION OF THE SUMMARISED FINANCIAL INFORMATION PRESENTED ABOVE TO THE CARRYING AMOUNT OF THE GROUP'S INTERESTS IN JOINT VENTURES

	SUNCITY SUNCON RM'000	SILVER COAST-SUNWAY INNOPAVE RM'000	TOTAL RM'000
At 31 December 2017			
Net assets at 1 January	-	-	-
Profit for the year	4,307	-	4,307
Dividend paid during the year	(2,153)*	-	(2,153)
Net assets at 31 December	2,154	-	2,154
Interest in joint ventures as at year end	50%	60%	
	1,077	-	1,077
Adjustment on dividend paid solely to SunCon during the year	(1,077)	-	(1,077)
Carrying value of Group's interest in joint ventures	-	-	-
At 31 December 2016			
Net assets at 1 January	20,587	-	20,587
Profit for the year	-	-	-
Dividend paid during the year	(20,587)#	-	(20,587)
Net assets at 31 December	-	-	-
Interest in joint ventures as at year end	50%	60%	
Carrying value of Group's interest in joint ventures	-	-	-

Dividend paid in the previous financial year was solely attributable to the joint venture partner.

* Dividend paid during the year was solely attributable to Sunway Construction Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. GOODWILL

	GROUP	
	2017 RM'000	2016 RM'000
Cost		
At beginning/end of financial year	35,397	35,397
Accumulated impairment losses		
At beginning/end of financial year	(31,750)	(31,750)
Net carrying amount	3,647	3,647

The carrying amount of goodwill allocated to the Group's cash-generating unit (CGU) is as follows:

	GROUP	
	2017 RM'000	2016 RM'000
Precast concrete	3,647	3,647

KEY ASSUMPTIONS USED IN VALUE-IN-USE CALCULATIONS

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a three-year period (2016: three-year period). The key assumptions used for value-in-use calculations are:

	GROUP	
	2017 %	2016 %
Gross margin	15.0	15.0
Discount rate	10.0	10.0

The following describes each key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Budgeted gross margin
The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year adjusted for expected efficiency improvements or deficiency.

(ii) Growth rate
The growth rate used is determined using a simple average of the annual Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) growth rate obtained from financial budgets approved by management. The financial budgets cover a period of three years. No growth rate was projected within this period of three years.

(iii) Discount rate
The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU to materially exceed its recoverable amounts.

22. INVENTORIES

	GROUP	
	2017 RM'000	2016 RM'000
Properties stocks	497	497
Raw materials	5,545	6,462
Finished goods	15,299	12,845
Spare parts	3,088	4,146
	24,429	23,950

(a) Properties stocks comprise properties received from trade receivables as settlement of debts in the ordinary course of business.

(b) Cost of raw materials and finished goods is determined on a first-in, first-out basis. Cost comprises costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition.

(c) Cost of spare parts is determined on a weighted average basis. Cost comprises costs of purchase plus other costs incurred in bringing the inventories to their present location and condition.

Sunway Construction Annual Report 2017

23. TRADE RECEIVABLES

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Third parties	723,633	410,951	-	-
Retention sums (Note 28)	288,734	214,965	-	-
	1,012,367	625,916	-	-
Less: Allowance for impairment losses	(12,610)	(19,224)	-	-
	999,757	606,692	-	-
Amounts due from customers on contracts (Note 28)	66,155	125,342	-	-
Total trade receivables	1,065,912	732,034	-	-
Total trade receivables	1,065,912	732,034	-	-
Other receivables (Note 24)	39,834	31,912	-	-
Add: Amounts due from:				
- intermediate holding company				
- non-trade (Note 26)	309	3	-	-
- related companies	62,559	147,542	-	-
- trade (Note 26)	60,278	139,190	-	-
- non-trade (Note 26)	2,281	8,352	-	-
- joint venture				
- non-trade (Note 26)	185	233	-	-
- an associate				
- non-trade (Note 27)	26,479	26,665	-	-
Less: Amounts due from customers on contracts (Note 28)	(66,155)	(125,342)	-	-
Less: Prepayments (Note 24)	(2,456)	(756)	-	-
Add: Cash, bank balances and placements (Note 30)	487,240	465,768	141,720	46,181
Total loans and receivables	1,613,907	1,278,059	141,720	46,181

(a) Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. The carrying amounts of the loans and receivables as at the reporting date approximate their fair values.

(b) The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 days to 90 days (2016: 30 days to 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

(c) Included in retention sums of the Group are amounts owing from related parties of RM29,529,000 (2016: RM22,247,000).

Included in amounts due from related companies are retention sum of RM41,064,000 (2016: RM59,034,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. TRADE RECEIVABLES (CONT'D)

(d) Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables are as follows:

	GROUP	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	999,418	666,991
1 to 30 days past due not impaired	11,036	27,976
31 to 60 days past due not impaired	23,727	2,543
61 to 90 days past due not impaired	9,050	3,527
91 to 120 days past due not impaired	76	7,984
More than 121 past due not impaired	22,605	23,013
	66,494	65,043
Past due and impaired	12,610	19,224
	1,078,522	751,258

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired relate to customers with good track records with the Group. Based on past experience, the Board believes that no allowance for impairment is necessary in respect of those balances.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired relate to customers for whom there is no objective evidence that the receivables are not fully recoverable. No impairment has been made on these amounts as the Group is closely monitoring these receivables and is confident of their eventual recovery.

Receivables that are past due and impaired

The Group's trade receivables that are past due and impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	GROUP	
	INDIVIDUALLY IMPAIRED RM'000	TOTAL RM'000
At 31 December 2017		
Trade receivables		
- nominal amounts	12,610	12,610
Less: Allowance for impairment losses	(12,610)	(12,610)
	-	-
At 31 December 2016		
Trade receivables		
- nominal amounts	19,224	19,224
Less: Allowance for impairment losses	(19,224)	(19,224)
	-	-

The reconciliation of movements in allowance for impairment losses for trade receivables is as follows:

	GROUP	
	2017 RM'000	2016 RM'000
At beginning of financial year	19,224	18,400
Charge for the year	83	2,670
Reversal of impairment losses	(2,670)	(1,534)
Written off	(4,027)	(312)
At end of financial year	12,610	19,224

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group assesses at the reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical experience for assets with similar credit risk characteristics.

(e) The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's total trade receivables at the reporting date are as follows:

	GROUP		COMPANY	
	2017		2016	
	RM'000	% OF TOTAL	RM'000	% OF TOTAL
By country:				
Malaysia	1,000,295	93.8%	623,304	85.1%
Singapore	60,787	5.7%	99,361	13.6%
India	4,830	0.5%	9,369	1.3%
	1,065,912	100.0%	732,034	100.0%

Exposure to credit risk

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are internationally dispersed, engage in a wide spectrum of activities, and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

24. OTHER RECEIVABLES

	GROUP	
	2017 RM'000	2016 RM'000
Deposits	6,733	7,879
Prepayments (Note 23)	2,456	756
Sundry receivables	35,771	30,909
	44,960	39,544
Less: Allowance for impairment losses	(5,126)	(7,632)
	39,834	31,912

(a) The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

(b) The reconciliation of movements in allowance for impairment losses for other receivables is as follows:

	GROUP	
	2017 RM'000	2016 RM'000
At beginning of financial year	7,632	8,028
Reversal of impairment losses	-	(200)
Written off	(2,506)	(196)
At end of financial year	5,126	7,632

25. AMOUNTS DUE TO SUBSIDIARIES

During the previous financial year, amounts due to subsidiaries (non-trade) were unsecured, non-interest bearing and the term of repayment was on demand.

Sunway Construction Annual Report 2017

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. AMOUNTS DUE FROM/(TO) INTERMEDIATE HOLDING COMPANY, RELATED COMPANIES AND A JOINT VENTURE

(a) Amount due from/(to) intermediate holding company (non-trade) are unsecured, interest free and the terms of repayment are on demand.

(b) Amounts due from/(to) related companies (trade) are unsecured, interest free and the credit period is generally for a period of 30 days to 90 days (2016: 30 days to 90 days).

(c) Amounts due from/(to) related companies (non-trade) are unsecured, interest free and the terms of repayment is on demand, except for amounts due from/(to) related companies of RM118,037,000 (2016: RM34,723,000), which bear interests at rates ranging from 4.45% to 4.55% (2016: 4.45% to 5.67%) per annum.

(d) Amount due from a joint venture (non-trade) are unsecured, interest free and the terms of repayment are on demand.

(e) At the reporting date, the interest rate profile of the interest-bearing amounts due from/(to) related companies was:

	GROUP	
	2017 RM'000	2016 RM'000
Variable rate instruments		
Financial assets	592	6,092
Financial liabilities	(118,629)	(40,815)
	(118,037)	(34,723)

A change of 25 basis points in interest rates, assuming all other variables remained constant, at the reporting date would result in the profit net of tax of the Group will be higher/(lower) by RM224,270 (2016: RM65,970).

(f) The maturity profile of amounts due to intermediate holding company and related companies of the Group at the reporting date based on contractual undiscounted repayment obligations is repayable within one year.

27. AMOUNT DUE FROM AN ASSOCIATE

Amount due from an associate (non-trade) is unsecured, bearing interest at a rate of 8.85% (2016: 8.85%) per annum and the terms of repayment is on demand.

The reconciliation of movements in allowance for impairment losses for amount due from an associate (non trade) is as follows:

	GROUP	
	2017 RM'000	2016 RM'000
At beginning of financial year	-	19,598
Reversal of impairment losses	-	(18,900)
Exchange differences	-	(698)
At end of financial year	-	-

Sensitivity analysis for fixed rate interest-bearing amount due from an associate at the end of the reporting date is not presented as changes in interest rate would not affect profit or loss.

28. CONSTRUCTION CONTRACTS

	GROUP	
	2017 RM'000	2016 RM'000
Cost incurred to date	9,995,303	8,865,005
Accrued profits to date	1,832,727	1,693,380
Less: Provision for foreseeable losses	-	(16)
Total costs and accrued profits to date	11,828,030	10,558,369
Progress billings to date	(11,922,960)	(10,549,274)
	(94,930)	9,095
Amounts due from customers on contracts (Note 23)	66,155	125,342
Amounts due to customers on contracts (Note 33)	(161,085)	(116,247)
	(94,930)	9,095
Advances received on contracts (Note 34)	117,167	50,663
Retention sums (Note 23)	288,734	214,965

The Group recognises construction contract revenue and expenses in profit or loss based on the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date bear to the estimated total contract costs to complete or by reference to the physical completion of the contract.

Significant judgement is required in determining the stage of completion, the estimated total contract costs to complete and in assessing the exposures to liquidated ascertained damages (LAD) based on the facts and circumstances of the relevant construction projects, including projects that had been served with certificates of non-achievement for project delays. In making these judgements, the Group evaluates based on experience and by relying on the work of specialists.

Based on the assessment of the exposures to LAD for the relevant construction contracts, the Directors are of the opinion that no provision for LAD is necessary at this juncture.

29. DERIVATIVE ASSETS/(LIABILITIES)

GROUP	2017		2016	
	CONTRACT/ NOTIONAL AMOUNT RM'000	ASSETS/ (LIABILITIES) RM'000	CONTRACT/ NOTIONAL AMOUNT RM'000	ASSETS/ (LIABILITIES) RM'000
Current				
Forward currency contracts	11,208	(469)	20,048	1,341

(a) Derivatives are classified as fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss.

(b) Derivatives are categorised as Level 2 in the fair value hierarchy.

(c) The maturity profile of the derivative liabilities of the Group at the reporting date based on contractual undiscounted repayment obligations is repayable within one year.

30. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances				
Cash at banks and on hand	75,570	88,233	239	188
Deposits with:				
Licensed banks	442	583	-	-
Other financial institutions	411,228	376,952	141,481	45,993
Cash and bank balances (Note 23)	487,240	465,768	141,720	46,181

(a) The weighted average interest rates per annum of deposits that were effective as at reporting date were as follows:

	GROUP		COMPANY	
	2017 %	2016 %	2017 %	2016 %
Deposits with licensed banks	3.70	1.51	-	-
Deposits with other financial institutions	5.05	4.83	5.05	4.63

The maturity of deposits with licensed banks during the years under review is 365 days (2016: 11 days to 365 days).

The average maturity of deposits with other financial institutions of the Group and of the Company are 13 days (2016: 14 days) and 13 days (2016: 28 days) respectively at the reporting date.

(b) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	487,240	465,768	141,720	46,181
Less: Deposits with licensed banks with maturity of more than 3 months	(442)	(435)	-	-
Total cash and cash equivalents	486,798	465,333	141,720	46,181

(c) At the reporting date, the interest rate profile of the cash and bank balances was:

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Floating rates	411,670	377,535	141,481	45,993

A change of 25 basis points in interest rates, assuming all other variables remained constant, at the reporting date would result in the profit net of tax of the Group and of the Company to be higher/(lower) by RM782,173 (2016: RM717,317) and RM268,814 (2016: RM87,387) respectively.

Sunway Construction Annual Report 2017

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. BORROWINGS

	GROUP	
	2017 RM'000	2016 RM'000
Short term borrowings		
Unsecured:		
Bills discounting	134,659	136,515
Total borrowings (Note 33)		
Bills discounting	134,659	136,515

(a) The weighted average interest rates per annum of borrowings that was effective as at reporting date were as follows:

	GROUP	
	2017 %	2016 %
Bills discounting	3.88	3.85

(b) The borrowings are denominated in RM.

(c) At the reporting date, the interest rate profile of the borrowings was:

	GROUP	
	2017 RM'000	2016 RM'000
Floating rates	134,659	136,515

A change of 25 basis points in interest rates, assuming all other variables remained constant, at the reporting date would result in the profit net of tax of the Group to be lower/(higher) by RM255,852 (2016: RM259,379).

(d) The maturity profile of the borrowings of the Group at the reporting date based on contractual undiscounted repayment obligations is repayable within one year.

(e) The carrying amounts of these borrowings are reasonable approximation of their fair values due to their short-term nature.

(f) Reconciliation of liabilities arising from financing activities.

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statements of cash flows as cash flows from financing activities.

	GROUP			
	1.1.2017 RM'000	CASH FLOWS RM'000	NON-CASH CHANGES RM'000	31.12.17 RM'000
Bill discounting	136,515	(1,856)	-	134,659

32. DEFERRED TAX

	GROUP	
	2017 RM'000	2016 RM'000
At beginning of financial year	9,894	9,665
Recognised in profit or loss (Note 12)	(14,573)	244
Exchange differences	11	(15)
At end of financial year	(4,668)	9,894
Presented after appropriate offsetting as follows:		
Deferred tax assets, net *	2,341	10,502
Deferred tax liabilities, net *	(7,009)	(608)
	(4,668)	9,894

* The amount of set-off between deferred tax assets and deferred tax liabilities was RM649,000 (2016: RM6,789,000) for the Group.

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

DEFERRED TAX ASSETS OF THE GROUP

	UNABSORBED CAPITAL ALLOWANCES RM'000	UNUTILISED BUSINESS LOSSES RM'000	PROVISION FOR LIABILITIES RM'000	OTHERS RM'000	TOTAL RM'000
At 1 January 2016	8,365	341	5,108	2,395	16,209
Recognised in profit or loss	(8,365)	(341)	(2,831)	12,619	1,082
At 31 December 2016	-	-	2,277	15,014	17,291
Recognised in profit or loss	-	-	(1,812)	(12,489)	(14,301)
At 31 December 2017	-	-	465	2,525	2,990

DEFERRED TAX LIABILITIES OF THE GROUP

	PROPERTY, PLANT AND EQUIPMENT RM'000	OTHERS RM'000	TOTAL RM'000
At 1 January 2016	4,028	2,516	6,544
Recognised in profit or loss	3,369	(2,531)	838
Exchange differences	-	15	15
At 31 December 2016	7,397	-	7,397
Recognised in profit or loss	592	(320)	272
Exchange differences	-	(11)	(11)
At 31 December 2017	7,989	(331)	7,658

Deferred tax assets have not been recognised in respect of the following items:

	GROUP	
	2017 RM'000	2016 RM'000
Unused tax losses	5,837	6,138
Unabsorbed capital allowances	1,324	1,324
Other deductible temporary differences	444	444
	7,605	7,906

Deferred tax assets have not been recognised in respect of these items as they have arisen in subsidiary companies that have a recent history of losses or in subsidiary companies where future taxable profits may be insufficient to trigger the utilisation of these items. The deductible temporary differences do not expire under the current tax legislation.

Sunway Construction Annual Report 2017

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. TRADE PAYABLES

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Third parties	633,109	577,029	-	-
Amounts due to customers on contracts (Note 28)	161,085	116,247	-	-
Total trade payables	794,194	693,276	-	-
Total trade payables	794,194	693,276	-	-
Total other payables (Note 34)	241,772	178,736	1,099	989
Amounts due to:				
- intermediate holding company				
- non-trade (Note 26)	17,628	26,049	-	7
- subsidiaries				
- non-trade (Note 25)	-	-	-	13
- related companies	131,459	56,911	108	312
- trade (Note 26)	11,252	13,334	-	-
- non-trade (Note 26)	120,207	43,577	108	312
Less: Amounts due to customers on contracts (Note 28)	(161,085)	(116,247)	-	-
Add: Total borrowings (Note 31)	134,659	136,515	-	-
Total financial liabilities carried at amortised cost	1,158,627	975,240	1,207	1,321

(a) The carrying amounts of the financial liabilities carried at amortised cost as at the reporting date approximate their fair values.

(b) During the previous financial year, included in trade payables of the Group were amounts due to related parties of RM1,300,000.

Amounts due to related parties are unsecured, non-interest bearing and the normal trade credit terms granted to the Group range from 14 days to 60 days (2016: 14 days to 60 days). The relationship with the above related parties is as disclosed in Note 40 to the financial statements.

(c) The normal trade credit terms granted to the Group range from 14 days to 60 days (2016: 14 days to 60 days).

(d) The maturity profile of the trade payables of the Group and of the Company (excluding amounts due to customers on contracts) at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

34. OTHER PAYABLES

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sundry payables	76,298	73,496	-	4
Advances received on contracts (Note 28)	117,167	50,663	-	-
Accruals	48,307	54,577	1,099	985
	241,772	178,736	1,099	989

The maturity profile of other payables of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations is repayable within one year.

Included in other payables of the Group is amounts due to related parties of RM491,846 (2016 : RM Nil).

As at 31 December 2017, included in the advances received on contracts are advances received in relation to three (3) construction contracts awarded to the Group (31 December 2016: two (2)).

35. SHARE CAPITAL AND TREASURY SHARES

	GROUP / COMPANY			
	NUMBER OF SHARES		AMOUNT	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Ordinary shares				
Authorised:				
As at 1 January/31 December*	-	10,000,000	-	2,000,000
Issued and fully paid:				
As at 1 January/31 December	1,292,900	1,292,900	258,580	258,580

* With the enforcement of new Companies Act 2016 effective 31 January 2017, the concept of authorised share capital and par value of share capital have been abolished.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company repurchased 654,000 of its issued ordinary shares from the open market at an average price of RM1.98 per share. The total consideration paid for the repurchases was RM1,295,000 and was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia and not revalued for subsequent changes in fair value or market price of the shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company.

As at 31 December 2017, the Company held a total of 654,000 ordinary shares as treasury shares out of its total issued and paid up share capital of 1,292,900,010 ordinary shares. Such treasury shares are recorded at a carrying amount of RM1,295,000.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

36. RESERVES

	NOTE	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
Non-distributable:					
Capital contribution by intermediate holding company	(a)	670	670	-	-
Merger reserve	(b)	(37,894)	(37,894)	-	-
Foreign currency translation reserve	(c)	9,901	14,651	-	-
		(27,323)	(22,573)	-	-
Distributable:					
Retained earnings		323,762	257,022	141,813	44,860
		296,439	234,449	141,813	44,860

The movements in each category of reserves are disclosed in the statements of changes in equity.

The natures of each category of reserves are as follows:

(A) CAPITAL CONTRIBUTION BY INTERMEDIATE HOLDING COMPANY

Capital contribution by intermediate holding company represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options.

(B) MERGER RESERVE

The merger reserve represents the following:

(i) Premium on the issue of shares for the acquisition of the remaining shares in Sunway Builders Sdn. Bhd.; and

(ii) The excess of the consideration paid over the share capital and capital reserves of SunCon and its subsidiaries as at the acquisition date under the pooling of interest method of accounting.

(C) FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group.

37. OPERATING LEASE AGREEMENTS

Apart from external operating lease agreements, the Group has also entered into a non-cancellable operating lease agreement with related parties, Sunway REIT and Sunway Iskandar Sdn. Bhd. for the use of corporate buildings and a leasehold land respectively.

The future minimum lease payments payable under the non-cancellable operating leases of the Group contracted for as at the reporting date but not recognised as payables, are as follows:

	GROUP 2017 RM'000	GROUP 2016 RM'000
Future minimum lease payments:		
Not later than 1 year	5,107	4,494
Later than 1 year and not later than 5 years	1,908	1,430
	7,015	5,924

38. CAPITAL COMMITMENTS

	GROUP 2017 RM'000	GROUP 2016 RM'000
Capital expenditure:		
Approved and contracted for property, plant and equipment	31,657	13,825
Approved but not contracted for property, plant and equipment	5,440	-
	37,097	13,825

39. CONTINGENT LIABILITIES

(A) GUARANTEES

	GROUP 2017 RM'000	GROUP 2016 RM'000
Unsecured:		
Guarantees given to third parties in respect of contracts and trade performance	503,145	364,697
Guarantees given to related companies in respect of contracts and trade performance	40,506	38,532
	543,651	403,229

The Group designates guarantees given to third parties and related companies as insurance contracts as defined in MFRS 4 *Insurance Contract*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the reporting date, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

The Directors are of the view that the chances of the third parties and related companies to call upon the guarantees are remote.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. CONTINGENT LIABILITIES (CONT'D)

(B) MATERIAL OUTSTANDING LITIGATIONS

(i) On 4 September 2008, the solicitors of Sunway Construction Sdn. Bhd. (SunCon) had been served with a Statement of Claim (Statement of Claim) by Shristi Infrastructure Development Corporation Ltd (Claimant). The Statement of Claim was received by SunCon's office in Malaysia on 8 September 2008.

Pursuant to an agreement signed between SunCon and the National Highway Authority of India for the rehabilitation and upgrading of NH-25 to a four-lane configuration in the state of Uttar Pradesh being a part of the East-West Corridor Project, SunCon had entered into a work order with the Claimant for the upgrading and rehabilitation of the stretch of NH-25 from 143.6 km to 170.0 km, of which the Claimant has provided two bank guarantees (Bank Guarantees) to SunCon.

The Claimant has failed to carry out its obligations under the work order and SunCon has terminated the work order and cashed the Bank Guarantees. The Claimant had filed an application in the Supreme Court of India for the appointment of an arbitrator to arbitrate upon the disputes between the parties. The Supreme Court had appointed a sole arbitrator. The Claimant then filed its Statement of Claim on 4 September 2008.

The Statement of Claim was raised in respect of various claims (including claiming the refund of the amount cashed on the Bank Guarantees) and the total amount claimed is Rs.891.5 million.

At the hearing on 2 February 2009, the arbitrator recorded SunCon's filing of the Statement of Defense and Counterclaim. In the counterclaim, SunCon is seeking for Rs.781.4 million for inter alia, additional costs incurred by SunCon to complete the works, recovery of mobilisation advance and interest charges, loss of reputation and loss of profits.

75 hearings had been held and on 11 January 2013, the arbitrator that presided over the case passed away. The Claimant and SunCon were able to proceed to appoint another arbitrator that is agreeable by both parties, failing such agreement an application can be filed to the Supreme Court for an appointment.

SunCon was notified by its solicitors that an arbitration petition has been filed by Shristi on 7 January 2016 in the Supreme Court of India for the appointment of a new arbitrator and the petition was served on SunCon's solicitors on 5 May 2016. Matter was not listed on 17 October 2016. Hearing continued on 5 January 2017 and the Supreme Court appointed Hon'ble Mr Justice Vikramajit Sen (Former Judge of the Supreme Court) as arbitrator in place of the late Justice H.L Agrawal (Retd.) for adjudication of the disputes and differences between the Parties. Sitting on 24 February 2017 went on as scheduled.

On 7 October 2017, the Claimant and SunCon confirmed that evidence stands concluded except for the fact that answers to certain questions was to furnished by affidavit by SunCon's witness within 30 days from 7 October 2017. Parties are to file a synopsis of arguments and exchange them on or before 31 January 2018. SunCon submitted the synopsis to the arbitrator on 30 January 2018.

The proceedings advanced to the next stage for final arguments on 6 March 2018 to 9 March 2018. Rejoinder argument shall be heard on 12, 13 and 14 April 2018.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary.

(ii) Sunway Creative Stones Sdn. Bhd. (Sunway Creative Stones), being the nominated sub-contractor for the stone works for the Palazzio, is claiming against Syarikat Pembenaan Yeoh Tiong Lay Sdn. Bhd. (SPYTL), being the main contractor, for the unpaid interim certificates, work done yet to be certified, unfixed materials and refund of wrongfully imposed back-charges following determination of the main contractor's employment under the main contractor.

Sunway Creative Stones has in October 2011 filed its claim against SPYTL for the sum of RM4,968,417.05 and interest and costs. SPYTL is counter-claiming for the loss and damage of RM11,600,000.00 for Sunway Creative Stones' delay and back charges of RM35,340.00 and interest and costs or alternatively for the liquidated and ascertained damages in the sum of RM33,600,000.00 at the rate of RM105,000.00 per day for 320 days and back charges of RM35,340.00 and interest and costs.

Hearing of the arbitration proceeding had been completed and award on this arbitration is pending. The solicitors acting for Sunway Creative Stones is of the view that Sunway Creative Stones has a fairly good case against SPYTL.

(iii) Sunway Construction Caribbean Limited (Sunway Construction Caribbean) was awarded a contract to carry out the fit-out works by the Urban Development Corporation of Trinidad and Tobago (UDCTT) in 2009 at a fixed design-build contract price of TTD298,138,765.48.

By wrongfully repudiating the contract, the design fees and standby costs for the package 6 of the interior fit-out works payable by UDCTT from October 2009 to March 2011 remained unpaid by UDCTT. In December 2013, Sunway Construction Caribbean filed a claim at the High Court of Justice, Republic of Trinidad and Tobago, against UDCTT for an accumulated sum of TTD55,006,143.00, being loss and damages arising from UDCTT's wrongful repudiation of the contract.

On 18 November 2015, UDCTT had changed its advocates. Security for costs in the sum of TTD750,000.00 has been paid into court by Claimant on 5 August 2015.

An oral submission on Evidential Objections is to be heard on 4 December 2015. Trial of this matter fixed for Monday 25 April 2016, Tuesday 26 April 2016, Wednesday 27 April 2016 and Friday 29 April 2016.

On 4 December 2015, the High Court of Justice issued a notice of re-assignment on change of judge. After the status hearing on 28 January 2016, evidential objections pre trial review came up on the 12 July 2016. On 4 April 2017, the parties advised the Honourable Justice that the matter will be sent to Judicial Settlement Conference and will be continued on 15 March 2018.

The solicitors acting for Sunway Construction Caribbean is of the view that the chances of success is in favor of Sunway Construction Caribbean although the full amount of Sunway Construction Caribbean's claim may not be recoverable based on the information before them.

(iv) SunCon was awarded a contract for the execution of the rehabilitation and upgrading of km 406 to km 449.15 of highway NH-76 in the State of Rajasthan, India to four-lane configuration (NH-76 Highway Project) by the National Highways Authority (NHA) in 2005. SunCon commenced 7 separate arbitration proceedings against NHA on various disputes arising from the NH-76 Highway Project (each, a Reference). The following sets out the nature of SunCon's claims and the current status of the proceedings:

Reference 1
In November 2009, SunCon claimed against NHA for the payment of the completed construction of fly ash for the highway embankment. The Arbitral Tribunal had, via an award dated 28 June 2011, awarded SunCon a sum of Rs.43,090,350.00. NHA appealed against the Arbitral Tribunal's decision to the High Court of Delhi. In 2012, the High Court ruled in favor of NHA and set aside SunCon's award.

SunCon appealed to the Supreme Court of India and was granted leave of appeal. Matter was not listed on 28 July 2016 and 13 September 2016. On 9 August 2017, the case was not listed due to non availability of Justice U.U. Lalit. Case was scheduled for 29 January 2018 but not listed and hearing date has yet to be fixed. The solicitors acting for SunCon is of the view that SunCon has a good case on the merits and a correspondingly high probability of success before the Supreme Court.

Reference 2
In April 2009, SunCon commenced an arbitration proceeding against NHA for the loss suffered as a result of the adjustment made by the engineer on the payment of a monthly interim payment certificate without taking into consideration the component of excise duty. The Arbitral Tribunal had, via an award dated 3 October 2011, awarded SunCon a sum of Rs.25,840,810.00. We have not received the award sum to-date.

Reference 3
In April 2009, SunCon claimed against NHA for the reimbursement of the toll tax imposed on all vehicles deployed for the execution of the NH-76 Highway Project. The Arbitral Tribunal had, via an award dated 3 October 2011, awarded SunCon a sum of Rs.14,329,148.00.

Aggrieved by the Arbitral Tribunal's award dated 3 October 2011 for both Reference 2 and Reference 3, NHA appealed to the High Court in year 2012. The hearing date of the appeal has yet to be fixed. The solicitors acting for SunCon, after taking into consideration of the narrow scope of challenge to the arbitral awards as permissible under the Indian Arbitration and Conciliation Act 1996, is of the view that SunCon has a high chance of success in both Reference 2 and Reference 3.

Reference 4
In November 2012, SunCon claimed against NHA for the loss and expenses incurred during the extended project period which was due to NHA's delay. The Arbitral Tribunal had, via an award dated 29 April 2014, awarded SunCon a sum of Rs.310,347,836.00.

NHA appealed against the Arbitral Tribunal's award to the High Court. On 13 April 2015, the matter came up for scrutiny before the Registrar of the High Court. NHA requested for time to file the rejoinder. The case is now adjourned to 24 July 2018.

The solicitors acting for SunCon, after taking into consideration of the narrow scope of challenge to the arbitral awards as permissible under the Indian Arbitration and Conciliation Act 1996, is of the view that SunCon has a high chance of success in this Reference 4.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. RELATED PARTY DISCLOSURES

(A) SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

GROUP	2017 RM'000	2016 RM'000
Rental income of plant and machinery from:		
Related party		
Sunway Iskandar Sdn. Bhd. ^	3	-
Related companies		
Sunway Enterprise (1988) Sdn. Bhd.	123	72
Sunway Nursery and Landscape Sdn. Bhd.	12	-
Sunway Pinnacle Sdn. Bhd.	3	-
Sunway Velocity Mall Sdn. Bhd.	6	-
Sunway South Quay Sdn. Bhd.	1	5
Contract revenue from:		
Related companies		
Sunway Medical Centre Sdn. Bhd.	71,705	101,109
Sunway South Quay Sdn. Bhd.	133,421	220,165
Sunway Forum Hotel Sdn. Bhd.	(390)	(9,987)
Sunway Velocity Mall Sdn. Bhd.	91,327	171,258
Sunway Integrated Properties Sdn. Bhd.	41,049	6,078
Sunway Destiny Sdn. Bhd.	-	10,908
Sunway City (JB) Sdn. Bhd.	8,866	49,834
Sunway Pinnacle Sdn. Bhd.	90	-
Prosper Revenue Sdn. Bhd.	-	2,672
SunMed Velocity Sdn. Bhd.	11,451	788
Sunway Kiara Sdn. Bhd.	8,533	7,111
Sunway Dimension Stones Sdn. Bhd.	-	414
Related parties		
Daiwa Sunway Development Sdn. Bhd. @	375	986
Sunway Iskandar Sdn. Bhd. ^	169,463	145,974
Sunway Real Estate Investment Trust *	8	3,314

GROUP	2017 RM'000	2016 RM'000
Interest expense charged by:		
Related companies:		
Sunway Treasury Sdn. Bhd. (Note 8)	-	(306)
Sunway Treasury Sukuk Sdn. Bhd. (Note 8)	(2,625)	(2,826)
Management fees charged by:		
Intermediate holding company		
Sunway Berhad (Note 9)	(18,348)	(17,319)
Rental of land from:		
Related party		
Sunway Iskandar Sdn. Bhd. ^	(600)	-
Rental of office space from:		
Related party		
Sunway Real Estate Investment Trust *	(2,191)	(557)
Related companies		
Sunway Lagoon Sdn. Bhd.	(186)	(202)
Sunway Leisure Sdn. Bhd.	(68)	(96)
Sunway Paving Solutions Sdn. Bhd.	(1,145)	(1,204)
Sunway Integrated Properties Sdn. Bhd.	(341)	(341)
Sunway Pyramid Development Sdn. Bhd.	(87)	(72)
Sunway Leasing Sdn. Bhd.	(1,360)	(1,640)
Sunway Marketing (S) Pte. Ltd.	(52)	(50)
Interest income from:		
Related company		
Sunway Treasury Sdn. Bhd. (Note 8)	68	230
Service level agreement fees paid to: (Note 9)		
Related companies		
Sunway FSSC Sdn. Bhd.	(832)	(2,232)
Sunway Shared Services Sdn. Bhd.	(2,035)	(1,819)
Sunway HR Shared Services Sdn. Bhd.	(1,440)	(1,283)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. RELATED PARTY DISCLOSURES (CONT'D)

(A) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year (cont'd):

GROUP	2017 RM'000	2016 RM'000
Purchases of goods/services from:		
Related parties		
Sunway Real Estate Investment Trust *	-	(164)
Sunway Iskandar Sdn. Bhd. ^	-	(182)
Hitachi Sunway Information Systems Sdn. Bhd. +	(657)	(894)
Sunway Computer Services Sdn. Bhd. +	(277)	-
Sunway Digital Wave Sdn. Bhd. +	(2)	(23)
Sunway MSC Sdn. Bhd. +	(25)	-
Related companies		
Sunway Marketing Sdn. Bhd.	(84,862)	(71,604)
Sunway Quarry Industries Sdn. Bhd.	(7,570)	(10,225)
Sunway Paving Solutions Sdn. Bhd.	(648)	(3,897)
Sunway Enterprise (1988) Sdn. Bhd.	(880)	(964)
Sunway FSSC Sdn. Bhd.	(114)	(268)
Sunway Risk Management Sdn. Bhd.	(383)	(2,140)
Sunway Hose Centre Sdn. Bhd.	(301)	(192)
Sunway HR Shared Services Sdn. Bhd.	(428)	203
Sunway Travel Sdn. Bhd.	(1,057)	(582)
Sunway Medical Centre Sdn. Bhd.	(179)	(131)
Sunway Treasury Sdn. Bhd.	(21)	-

GROUP	2017 RM'000	2016 RM'000
Sunway Lagoon Club Bhd.	(86)	(94)
Sunway Resort Hotel Sdn. Bhd.	(110)	(397)
Sunway Leisure Sdn. Bhd.	(28)	(12)
Sunway Lagoon Sdn. Bhd.	(876)	(716)
Sunway PFM Sdn. Bhd.	(22)	(152)
Deco Style Sdn. Bhd.	(13,793)	(12,208)
Sunway Putra Hotel Sdn. Bhd.	-	(59)
United Star Engineering & Hardware Sdn. Bhd.	(932)	(630)
Sunway South Quay Sdn. Bhd.	481	(662)
Sunway Shared Services Sdn. Bhd.	(3,697)	(3,527)
SunMed Clinics Sdn. Bhd.	(21)	(11)
Sunway International Vacation Club Bhd	(2)	(9)
Sunway Kiara Sdn. Bhd.	(729)	-
Sunway Velocity Mall Sdn. Bhd.	-	(10)
Sunway PKNS Sdn. Bhd.	(3)	-
Prosper Revenue Sdn. Bhd.	(16)	-
Sunway Management Sdn. Bhd.	(221)	(264)
Pasir Mas Holdings Sdn. Bhd.	(482)	(33)
Sunway Pharma Sdn. Bhd.	(3)	-
Sunway Leadership Center Sdn. Bhd.	(72)	-
Sunway Integrated Properties Sdn. Bhd.	(21)	131
Sunway Spun Pile (M) Sdn. Bhd.	-	(1,658)
Intermediate holding company		
Sunway Berhad	(226)	(12)

Sunway Construction Annual Report 2017

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. RELATED PARTY DISCLOSURES (CONT'D)

(A) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year (cont'd) :

COMPANY	2017 RM'000	2016 RM'000
Interest expense charged by:		
Subsidiary		
Sunway Construction Sdn. Bhd. (Note 8)	-	(39)
Service level agreement fee paid to:		
Related company		
Sunway Shared Services Sdn. Bhd. (Note 9)	-	(43)
Purchases of goods/services from:		
Related companies		
Sunway Resort Hotel Sdn. Bhd.	(51)	(58)
Sunway Management Sdn. Bhd .	(206)	(254)
Related parties		
Hitachi Sunway Information Systems Sdn. Bhd. +	(21)	-
Sunway MSC Sdn. Bhd. +	(25)	-

@ Daiwa Sunway Development Sdn. Bhd. is an associate of Sunway City Sdn. Bhd., a subsidiary of the intermediate holding company.

* Sunway Real Estate Investment Trust is an associate of the intermediate holding company.

^ Sunway Iskandar Sdn. Bhd. is a joint venture of Sunway City Sdn. Bhd..

\+ Sunway Computer Services Sdn. Bhd., Sunway Digital Wave Sdn. Bhd., Sunway MSC Sdn. Bhd., and Hitachi Sunway Information Systems Sdn. Bhd. are companies in which a Director of the Company has deemed substantial interests.

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

(B) REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are the persons who have authorities and responsibilities for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. This includes any Director, whether executive or otherwise, of the Group and the Company.

The remuneration of the Executive Directors and other members of key management during the financial year are as follows:

	GROUP	
	2017 RM'000	2016 RM'000
Short-term employee benefits	15,083	12,799
Post-employment benefits:		
- Defined contribution plan	1,491	1,292
Employees' share option scheme	-	750
Estimated money value of benefits-in-kind	200	178
	16,774	15,019

Included in the total key management personnel are:

	GROUP	
	2017 RM'000	2016 RM'000
Executive Directors' remuneration (Note 11)	2,955	2,078

41. ADOPTION OF MFRSS AND AMENDMENTS TO MFRSS

(A) NEW MFRSS ADOPTED DURING THE FINANCIAL YEAR

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Group and the Company adopted the following amended MFRSs mandatory for the current financial year.

Title	Effective Date
Amendments to MFRS 12 *Annual Improvements* to *MFRS Standards 2014 - 2016 Cycle*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

(B) NEW MFRSS THAT HAVE BEEN ISSUED, BUT ONLY EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2018

The Standards and Amendments that are issued but not yet effective up to the date of issuance the financial statements of the Group and of the Company are disclosed below. The Company intends to adopt these Standards and Amendments, if applicable, when they become effective.

Title	Effective Date
Amendments to MFRS 1 *Annual Improvements* to MFRS *Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarifications of MFRS 15	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

SHAREHOLDINGS INFORMATION

MOVING FORWARD TO CONTINUE MOUNTING CHALLENGES

In every move we make, we are sure to keep on delivering success after success. Every challenge we face gives us a new experience, and with it the motivation towards achieving our goals.

DIRECTORS' INTERESTS IN SHARES

AS AT 20 MARCH 2018

DIRECTORS' INTEREST IN THE COMPANY

Sunway Construction Group Berhad

	ORDINARY SHARES	
	NO.	%
DIRECTT INTEREST		
Dato' Ir Goh Chye Koon	5,000	#
Chung Soo Kiong	200,046	0.02
Evan Cheah Yean Shin	13,435	#
DEEMED INTEREST		
Evan Cheah Yean Shin [a]	841,282,318	65.10

	NUMBER OF NON-CUMULATIVE REDEEMABLE PREFERENCE SHARES	
	NO.	%
DEEMED INTEREST		
Evan Cheah Yean Shin [e]	122,000,000	100.00

DIRECTORS' INTEREST IN INTERMIDIATE HOLDING COMPANY

Sunway Berhad

	ORDINARY SHARES	
	NO.	%
DIRECT INTEREST		
Dato' Ir Goh Chye Koon	117,833	#
Dato' Chew Chee Kin	20,623,927	0.42
Evan Cheah Yean Shin	4,112,535	0.08
Chung Soo Kiong	950,000	0.02
DEEMED INTEREST		
Dato' Chew Chee Kin [b]	1,534,029	0.03
Evan Cheah Yean Shin [c]	2,944,300,693	60.28

	OPTIONS OVER ORDINARY SHARES	
	NO. GRANTED	NO. VESTED
DIRECT INTEREST		
Chung Soo Kiong	350,000	350,000

DIRECTORS' INTEREST IN PENULTIMATE HOLDING COMPANY

Sungei Way Corporation Sdn Bhd

	ORDINARY SHARES	
	NO.	%
DEEMED INTEREST		
Evan Cheah Yean Shin [d]	10,000,000	100.00

DIRECTORS' INTEREST IN ULTIMATE HOLDING COMPANY

Active Equity Sdn Bhd

	ORDINARY SHARES	
	NO.	%
DIRECT INTEREST		
Evan Cheah Yean Shin	25,500	15.00
DEEMED INTEREST		
Evan Cheah Yean Shin [e]	102,000	60.00

NOTES

a Deemed interest by virtue for Section 8 of the Companies Act 2016 (Act) held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Holdings Sdn Bhd and parent.

b Deemed interest by virtue for Section 8 of the Act held through spouse.

c Deemed interest by virtue for Section 8 of the Act held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd and parent.

d Deemed interest by virtue for Section 8 of the Act held through Active Equity Sdn Bhd.

e Deemed interest by virtue for Section 8 of the Act held through parent.

\# Negligible

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2018

Issued Shares	Treasury Shares	Class of Share	Voting Rights
1,292,900,010	654,000	Ordinary shares	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES HELD	% OF SHAREHOLDINGS
Less than 100	3,604	24.82	168,746	0.01
100 - 1,000	6,523	44.92	2,424,862	0.19
1,001 - 10,000	3,278	22.57	13,453,641	1.04
10,001 - 100,000	856	5.90	26,154,881	2.02
100,001 - 64,644,999 (Less than 5% of total number of issued shares)	256	1.76	546,511,271	42.29
64,645,000 (5%) and above of the total number of issued shares	4	0.03	703,532,609	54.44
	14,521	100.00	1,292,246,010*	100.00

NOTES

* Exclude a total of 654,000 treasury shares retained by the Company as per record of depositors as at 20 March 2018.

THIRTY LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

Excluding 654,000 treasury shares

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
1	Sunway Holdings Sdn Bhd	408,612,609	31.62
2	HSBC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Sunway Holdings Sdn Bhd	115,000,000	8.90
3	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account-Sumitomo Mitsui Banking Corporation Malaysia Berhad For Sunway Holdings Sdn Bhd	115,000,000	8.90
4	RHB Nominees (Tempatan) Sdn Bhd - Malaysian Trustees Berhad Pledged Securities Account For Sunway Holdings Sdn Bhd	64,920,000	5.02
5	Sungei Way Corporation Sendirian Berhad	55,520,000	4.30
6	Sungei Way Corporation Sendirian Berhad	50,205,817	3.89
7	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	49,154,443	3.80
8	Amanahraya Trustees Berhad - Amanah Saham Bumiputera 2	28,755,100	2.23
9	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (NOMURA)	19,769,500	1.53
10	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN For Citibank New York (Norges Bank 14)	16,579,900	1.28
11	HSBC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Sungei Way Corporation Sdn Bhd	13,000,000	1.01
12	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Commerce Trustee Berhad - Kenanga Growth Fund	11,310,000	0.88
13	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Sungei Way Corporation Sendirian Berhad	11,300,000	0.87
14	Amsec Nominees (Tempatan) Sdn Bhd - Mtrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-Cimb-Dali)	10,954,300	0.85
15	HSBC Nominees (Asing) Sdn Bhd - JPMBL SA For Aviva Investors	10,814,159	0.84
16	Permodalan Nasional Berhad	9,390,000	0.73
17	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (LSF)	9,120,000	0.71
18	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN For State Street Bank & Trust Company (WEST CLT OD67)	9,056,474	0.70
19	Amanahraya Trustees Berhad - Public Islamic Optimal Growth Fund	8,506,000	0.66

THIRTY LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS (CONT'D)

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
20	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	8,059,500	0.62
21	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AMUNDI)	8,000,000	0.62
22	Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling AO	7,703,872	0.60
23	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	7,364,300	0.57
24	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN For AIA Bhd	7,247,903	0.56
25	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad -Deutsche Trustees Malaysia Berhad For Eastspring Investments Small-Cap Fund	6,923,800	0.54
26	Amanahraya Trustees Berhad - Amanah Saham Gemilang For Amanah Saham Persaraan	6,873,500	0.53
27	Amanahraya Trustees Berhad - Amanah Saham Gemilang For Amanah Saham Kesihatan	6,441,700	0.50
28	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB For Participating Fund	6,197,010	0.48
29	Citigroup Nominees (Asing) Sdn Bhd-Exempt AN For Citibank New York (Norges Bank 9)	6,120,822	0.47
30	Citigroup Nominees (Asing) Sdn Bhd - CBLDN For Aviva Investors Multi-Strategy Target Return Fund (AIIF ICVC)	6,119,800	0.47

SUBSTANTIAL SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
1	Sunway Berhad		
	- Deemed Interest [a]	703,532,609	54.44
2	Sunway Holdings Sdn Bhd	703,532,609	54.44
3	Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling AO		
	- Direct Interest	7,723,892	0.60
	- Deemed Interest [b]	833,629,588	64.51
4	Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng		
	- Deemed Interest [c]	841,353,480	65.11
5	Sarena Cheah Yean Tih		
	- Direct Interest	57,727	*
	- Deemed Interest [d]	841,282,416	65.10
6	Evan Cheah Yean Shin		
	- Direct Interest	13,435	*
	- Deemed Interest [e]	841,282,318	65.10
7	Adrian Cheah Yean Sun		
	- Deemed Interest [e]	841,282,318	65.10
8	Sungei Way Corporation Sdn Bhd		
	- Direct Interest	130,025,817	10.06
	- Deemed Interest [f]	703,532,609	54.44
9	Active Equity Sdn Bhd		
	- Deemed Interest [g]	833,558,426	64.51
10	Employees Provident Fund Board	78,283,043	6.06

NOTES

a Deemed interest by virtue of Section 8 of the Companies Act 2016 (Act) held through Sunway Holdings Sdn Bhd.

b Deemed interest by virtue of Section 8 of the Act held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Holdings Sdn Bhd and children.

c Deemed interest by virtue of Section 8 of the Act held through spouse and children.

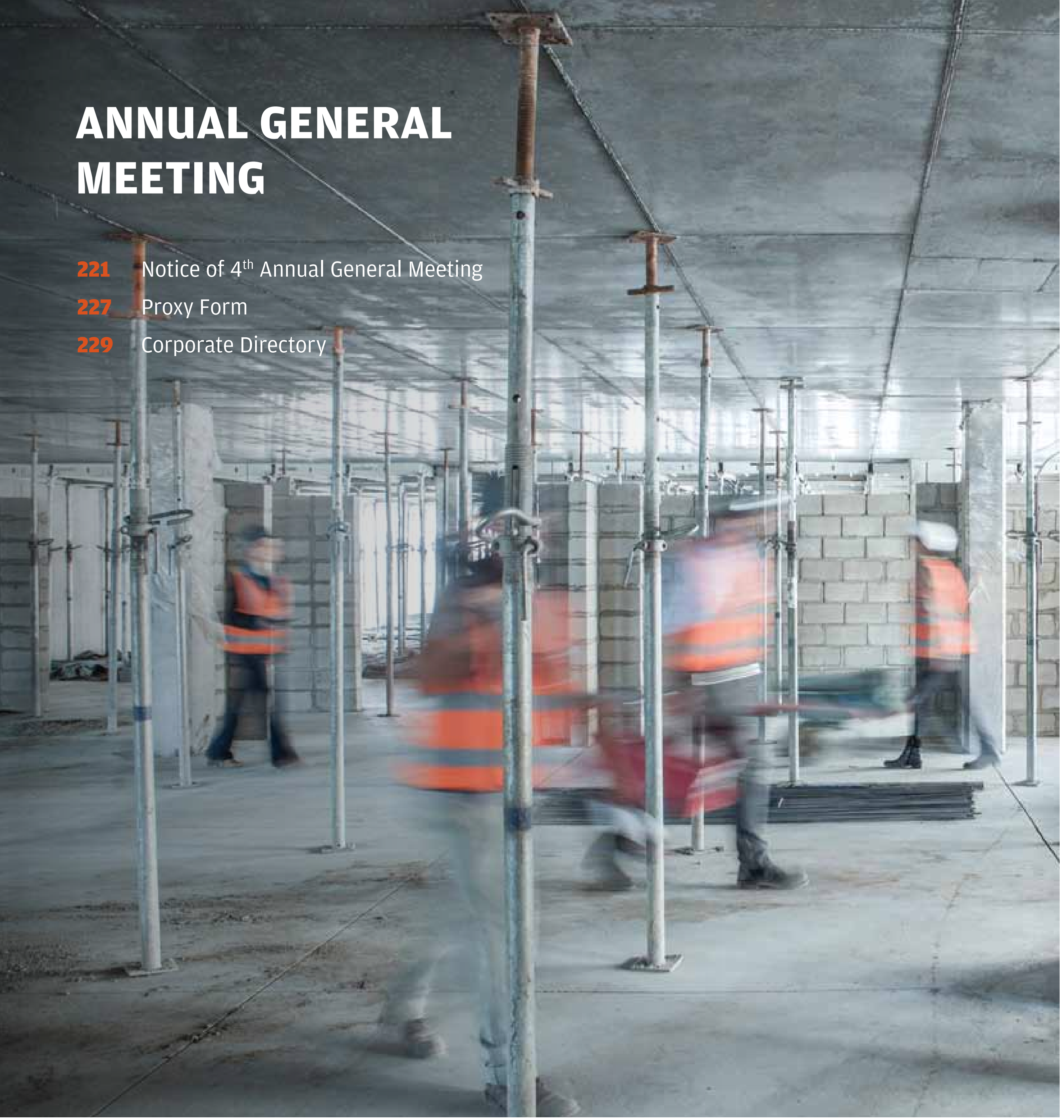
d Deemed interest by virtue of Section 8 of the Act held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Holdings Sdn Bhd, spouse and parent.

e Deemed interest by virtue of Section 8 of the Act held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Holdings Sdn Bhd and parent.

f Deemed interest by virtue of Section 8 of the Act held through Sunway Berhad and Sunway Holdings Sdn Bhd.

g Deemed interest by virtue of Section 8 of the Act held through Sungei Way Corporation Sdn Bhd, Sunway Berhad and Sunway Holdings Sdn Bhd.

* Negligile



ANNUAL GENERAL MEETING

MEETING THE NEEDS OF MANY

By providing our staff and stakeholders with a platform to express themselves, we are able to create an ever-evolving organisation that pays homage to the people that helped build it.

NOTICE OF 4TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 4th Annual General Meeting of SUNWAY CONSTRUCTION GROUP BERHAD (1108506-W) will be held at Grand Caymans, Level 10, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 20 June 2018 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1	To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' and Auditors' Reports thereon. *(Please refer to Explanatory Note 1)*	
2	To approve the payment of fees to Non-Executive Directors amounting to RM718,000.00 for the financial year ended 31 December 2017.	Ordinary Resolution 1
3	To approve the payment of benefits payable to Non-Executive Directors of up to RM200,000 for the period from 1 January 2018 until the conclusion of the next Annual General Meeting of the Company.	Ordinary Resolution 2
4	To re-elect the following Directors: **4.1** Mr Chung Soo Kiong who retires by rotation pursuant to Article 107 of the Company's Articles of Association and being eligible, offers himself for re-election.	Ordinary Resolution 3
	4.2 Mr Evan Cheah Yean Shin who retires by rotation pursuant to Article 107 of the Company's Articles of Association and being eligible, offers himself for re-election.	Ordinary Resolution 4
	4.3 Dr Sarinder Kumari A/P Oam Parkash who retires pursuant to Article 90 of the Company's Articles of Association and being eligible, offers herself for re-election.	Ordinary Resolution 5
5	To re-appoint Messrs BDO as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Ordinary Resolution 6

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolutions:

6	**ORDINARY RESOLUTION** **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**	
	"THAT subject always to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company's Constitution and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."	Ordinary Resolution 7
7	**ORDINARY RESOLUTION** **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**	
	"THAT approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions from time to time, which are necessary for the day-to-day operations as set out in Section 2D of the Circular to Shareholders dated 30 April 2018 which are of a revenue or trading nature and carried out in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company, subject to the compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Companies Act 2016 (the Act), the Company's Constitution and all other applicable laws, guidelines, rules and regulations.	Ordinary Resolution 8

NOTICE OF 4TH ANNUAL GENERAL MEETING (CONT'D)

AS SPECIAL BUSINESS (CONT'D)

To consider and if thought fit, to pass the following Resolutions (cont'd):

7 ORDINARY RESOLUTION

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (cont'd)

THAT such authority shall commence upon the passing of this resolution and shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting (AGM) of the Company at which time the mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

Ordinary Resolution 8 (cont'd)

8 ORDINARY RESOLUTION

Proposed Renewal of Share Buyback Authority

"THAT subject to the Companies Act 2016 (the Act), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) and any other relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company PROVIDED THAT:

(a) the aggregate number of ordinary shares in the Company (SunCon Shares) which may be purchased and/or held by the Company shall not exceed 10% of the total number of issued shares in the ordinary share capital of the Company at any point of time, subject to a restriction that the share capital of the Company does not fall below the applicable minimum share capital requirements of the Main Market Listing Requirements of Bursa Securities;

(b) the maximum funds to be allocated by the Company for the purpose of purchasing the SunCon Shares shall not exceed the Company's retained profits at any point of time;

(c) the authority conferred by this resolution will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting (AGM) at which time it shall lapse unless by Ordinary Resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by Ordinary Resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first; and

Ordinary Resolution 9

AS SPECIAL BUSINESS (CONT'D)

To consider and if thought fit, to pass the following Resolutions (cont'd):

(d) upon completion of the purchase(s) of the SunCon Shares by the Company, the Directors of the Company be and are hereby authorised to cancel the SunCon Shares so purchased or to retain the SunCon Shares so purchased as treasury shares (of which may be dealt with in accordance with Section 127(7) of the Act), or to retain part of the SunCon Shares so purchased as treasury shares and cancel the remainder and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act, the Main Market Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise or to effect the purchase(s) of the SunCon Shares with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things (including executing all documents) as the Directors may deem fit and expedient in the best interest of the Company."

Ordinary Resolution 9 (cont'd)

9 SPECIAL RESOLUTION

Proposed Adoption of the New Constitution of the Company

"THAT approval be and is hereby given to the Company to alter or amend the whole of its existing Memorandum and Articles of Association by the replacement thereof with a new Constitution as set out in the Circular to Shareholders dated 30 April 2018 with immediate effect AND THAT the Board of Directors of the Company be and are hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

Special Resolution 1

By Order of the Board
TAN KIM AUN (MAICSA 7002988)
SOH KE YI (MAICSA 7060456)
Company Secretaries

Bandar Sunway
30 April 2018

NOTES:

1. A member of the Company who is entitled to attend and vote at a general meeting of the Company, or at a meeting of any class of members, may appoint more than 1 proxy to attend and vote instead of the member at the meeting. A proxy need not be a member.
2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. If a member has appointed a proxy to attend a meeting and subsequently he attends such meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend the said meeting.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or the hand of its officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof, either by hand, post, electronic mail or fax to (603) 5639 9507. In the case where the member is a corporation and the proxy form is delivered by fax or electronic mail, the original proxy form shall also be deposited at the Registered Office, either by hand or post not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof.
8. In respect of deposited securities, only members whose names appear in the Record of Depositors on 13 June 2018, shall be entitled to attend, speak and vote at the general meeting.

NOTICE OF 4TH ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTES

ORDINARY BUSINESS

1. To Receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' and Auditors' Reports thereon

The Audited Financial Statements are for discussion only as they do not require shareholders' approval pursuant to the provision of Section 340(1) of the Companies Act 2016. As such, this agenda will not be put for voting.

2. Ordinary Resolution 1 – To approve the payment of fees to Non-Executive Directors amounting to RM718,000.00 for the financial year ended 31 December 2017

The Company has adopted the following fees structure for its Non-Executive Directors (NEDs):

BOARD/AUDIT COMMITTEE	CHAIRMAN (RM/ANNUM)	MEMBER (RM/ANNUM)
Board	100,000	100,000
Audit Committee	6,000	3,000

The payment of the above mentioned fees for the financial year ended 31 December 2017 will only be made if the Proposed Resolution 1 has been approved at this 4th Annual General Meeting (AGM) pursuant to Article 96 of the Articles of Association of the Company and Section 230 of the Companies Act 2016.

3. Ordinary Resolution 2 – To approve the payment of benefits payable to Non-Executive Directors of up to RM200,000 from 1 January 2018 until the conclusion of the next AGM of the Company

Pursuant to Section 230 of the Companies Act 2016, any fees and benefits payable to the NEDs of a listed company and its subsidiaries shall be approved at a general meeting. The benefits payable to the NEDs of the Company comprises the following:

(i) Meeting allowance of RM500 per meeting for attending the Board and Board Committees Meetings;
(ii) Other emolument, including but not limited to construction site visit allowance of RM1,000 per visit for Director in the course of discharging his duty as Chairperson of High Level ESH (Environmental, Safety and Health) Council of the Company.

4. Ordinary Resolutions 3 to 5 – To re-elect Mr Chung Soo Kiong, Mr Evan Cheah Yean Shin and Dr Sarinder Kumari as Directors of the Company

Article 107(1) of the Company's Articles of Association provides that one-third or the number nearest to one-third of the Directors of the Company (including Managing Director) for the time being shall retires by rotation at each AGM of the Company. Each Director shall retire from office once at least in each three years but shall be eligible for re-election.

Mr Chung Soo Kiong and Mr Evan Cheah Yean Shin, who retire by rotation pursuant to Article 107(1) of the Company's Articles of Association, being eligible, have offered themselves for re-election at the 4th AGM.

Article 90 provides that any Director appointed shall hold office only until the next AGM and shall be eligible for re-election. Dr Sarinder Kumari A/P Oam Parkash who was appointed on 1 March 2018, is standing for re-election as Director pursuant to Article 90, and being eligible, has offered herself for re-election.

The Nomination and Renumeration Committee had assessed the performance of the retiring Directors and recommended them for re-election as Directors of the Company due to their vast experience and contribution to the Company. Their profiles are enclosed in pages 31 to 35 of the Company's Annual Report 2017. The Board has endorsed the Nomination and Remuneration Committee's recommendation subject to the shareholders' approval at this AGM.

All Directors standing for re-election have abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Nomination and Remuneration Committee and Board Meetings and will continue to abstain from deliberations and decisions on their own eligibility to stand for re-election at this AGM.

SPECIAL BUSINESS

5. Ordinary Resolution 7 – Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

The Company is always on the look out for investment opportunities to enhance the earnings potential of the Company. If any investment opportunities involve the issue of new shares, the Directors, under present circumstances, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the total number of issued shares of the Company.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue new shares in the Company, up to an amount not exceeding in total 10% of the total number of issued shares of the Company at any time, for such purpose. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The renewal of this mandate will provide flexibility to the Company for any potential fund raising activities, including but not limited to placement of shares, for purpose of funding future investments, working capital and/or any acquisition.

At this juncture, there is no decision to issue new shares. Should there be a decision to issue new shares after the authorisation is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

The Company did not issue any new shares under the general mandate which was approved at its 3rd AGM held on 15 June 2017.

6. Ordinary Resolution 8 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The details on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature are set out in the Circular to Shareholders dated 30 April 2018.

7. Ordinary Resolution 9 – Proposed Renewal of Share Buyback Authority

The details on the proposed renewal of Share Buyback authority by the Company are set out in the Circular to Shareholders dated 30 April 2018.

8. Special Resolution 1 – Proposed Adoption of the new Constitution of the Company

The proposed amendments to the existing Memorandum and Articles of Association of the Company are made mainly for the following purposes:

(a) To ensure compliance with the amended Main Market Listing Requirements of Bursa Malaysia Securities Berhad which was issued on 29 November 2017; and
(b) To ensure compliance with the Companies Act 2016 which took effect on 31 January 2017.

In view of the substantial amount of proposed amendments to the existing Memorandum and Articles of Association, the Board proposed that the existing Memorandum and Articles of Association be altered or amended by the Company in its entirety by the replacement thereof with a new Constitution.

Please refer to Part C of the Circular to Shareholders dated 30 April 2018 for further information.

PERSONAL DATA NOTICE

The Personal Data Protection Act 2010 (PDPA) which regulates the processing of personal data in commercial transactions, applies to Sunway Management Sdn Bhd, the share registrar of Sunway Construction Group Berhad.

The personal data processed by Sunway Management Sdn Bhd may include your name, contact details, mailing address and any other personal data derived from any documentation.

Sunway Management Sdn Bhd may use or disclose your personal data to any person engaged for the purposes of issuing the above notice of meeting and convening the meeting.

Subject to the requirement under the PDPA, if you would like to make any enquiries on your personal data, please contact us at:

Address
Sunway Management Sdn Bhd
Level 16, Menara Sunway
Jalan Lagoon Timur, Bandar Sunway
47500 Subang Jaya
Selangor Darul Ehsan

T (603) 5639 8889
F (603) 5639 9507

This page is intentionally left blank.

Proxy Form

4th Annual General Meeting

SUNWAY CONSTRUCTION GROUP BERHAD
(1108506-W)
(Incorporated in Malaysia)

Registered Office:
Level 16, Menara Sunway, Jalan Lagoon Timur
Bandar Sunway, 47500 Subang Jaya
Selangor Darul Ehsan, Malaysia
T (603) 5639 8889 / 5639 8841 **F**(603) 5639 9507

Number of share (s) held	
CDS Account No.	

*I/We (Full Name) ______________________________*NRIC No./Passport No./Company No. ____
Tel./Mobile No. ________________________________ of ____
being a member of SUNWAY CONSTRUCTION GROUP BERHAD and entitled to vote hereby appoint:

1ST PROXY A

Full Name	Tel./Mobile No.	Proportion of shareholdings represented	
Address	NRIC No./Passport No.	Number of Shares	%

and/or failing *him/her,

2ND PROXY B

Full Name	Tel./Mobile No.	Proportion of shareholdings represented	
Address	NRIC No./Passport No.	Number of Shares	%

100%

or failing *him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us on *my/our behalf at the 4th Annual General Meeting of the Company to be held at Grand Caymans, Level 10, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 20 June 2018 at 3.00 p.m. and at any adjournment thereof.

** Strike out whichever not applicable*

My/our proxy/proxies shall vote as follows:
Please indicate with an **"X"** in the space below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting on the resolutions at his/their discretion.

NO.	ORDINARY RESOLUTIONS	1ST PROXY "A"		2ND PROXY "B"	
		FOR	AGAINST	FOR	AGAINST
1.	To approve the payment of fees to Non-Executive Directors				
2.	To approve the payment of benefits payable to Non-Executive Directors				
3.	To re-elect Mr Chung Soo Kiong as Director				
4.	To re-elect Mr Evan Cheah Yean Shin as Director				
5.	To re-elect Dr Sarinder Kumari A/P Oam Parkash as Director				
6.	To re-appoint Messrs BDO as Auditors and to authorise the Directors to fix their remuneration				
7.	To authorise the issue of shares pursuant to Sections 75 and 76 of the Companies Act 2016				
8.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature				
9.	To approve the Proposed Renewal of Share Buyback Authority				
	SPECIAL RESOLUTION				
1.	To approve the Proposed Adoption of the New Constitution of the Company				

Dated this ________ day of _____________ 2018

Signature of Member

____

Common Seal

NOTES

1. A member of the Company who is entitled to attend and vote at a general meeting of the Company, or at a meeting of any class of members, may appoint more than 1 proxy to attend and vote instead of the member at the meeting. A proxy need not be a member.
2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. If a member has appointed a proxy to attend a meeting and subsequently he attends such meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend the said meeting.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or the hand of its officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof, either by hand, post, electronic mail or fax to (603) 5639 9507. In the case where the member is a corporation and the proxy form is delivered by fax or electronic mail, the original proxy form shall also be deposited at the Registered Office, either by hand or post not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof.
8. In respect of deposited securities, only members whose names appear in the Record of Depositors on 13 June 2018, shall be entitled to attend, speak and vote at the general meeting.
9. Please refer to the Company's Personal Data Notice in page 225 of the annual report 2017 in relation to Personal Data Privacy.

Please Fold Here

Stamp

THE SHARE REGISTRAR

SUNWAY CONSTRUCTION GROUP BERHAD (1108506-W)

LEVEL 16, MENARA SUNWAY
JALAN LAGOON TIMUR
BANDAR SUNWAY
47500 SUBANG JAYA
SELANGOR DARUL EHSAN
MALAYSIA

Please Fold Here

CORPORATE DIRECTORY

SUNWAY CONSTRUCTION GROUP BERHAD (1108506-W)

SUNWAY CONSTRUCTION SDN BHD (27175-V)

Head Office
Level 8, Menara Sunway
Jalan Lagoon Timur, Bandar Sunway
47500 Subang Jaya, Selangor Darul Ehsan
T (603) 5639 9696
F (603) 5639 9601
W sunwayconstruction.com.my

Johor Office
Unit 05, Level 7, Hub Citrine
Sunway Citrine, Sunway Iskandar
Persiaran Medini 3
Bandar Medini Iskandar
79250 Iskandar Puteri
Johor Darul Ta'zim
T (607) 5098 825

FOUNDATION AND GEOTECHNICAL ENGINEERING SERVICES

SUNWAY GEOTECHNICS (M) SDN BHD (414014-W)
Level 7, Menara Sunway
Jalan Lagoon Timur, Bandar Sunway
47500 Subang Jaya, Selangor Darul Ehsan
T (603) 5639 9696
F (603) 5639 9533

MECHANICAL, ELECTRICAL & PLUMBING SERVICES

SUNWAY ENGINEERING SDN BHD (341887-W)
Level 9, Menara Sunway
Jalan Lagoon Timur, Bandar Sunway
47500 Subang Jaya, Selangor Darul Ehsan
T (603) 5639 9696
F (603) 5639 9531

MANUFACTURING AND SALE OF PRECAST CONCRETE PRODUCTS

SUNWAY PRECAST INDUSTRIES SDN BHD (231775-X)

Senai, Johor
18, Jalan Idaman 1/1
Taman Perindustrian Senai
81400 Senai, Johor Darul Takzim
T (607) 5955 222
F (607) 5951 246

SUNWAY CONCRETE PRODUCTS (M) SDN BHD (1210329-A)

Iskandar, Johor
Plot F5, Lot PTD 200685, Medini Zone F
Mukim Pulai, Daerah Johor Bahru
81200 Johor Darul Takzim

SUNWAY CONCRETE PRODUCTS (S) PTE LTD (199409213Z)

Singapore
Blk 65, Ubi Road 1#01-62
Oxley Bizhub Singapore, 408729
Singapore
T (602) 6582 8089
F (602) 6581 0482

MACHINERY & LOGISTICS

SUNWAY MACHINERY SDN BHD (389253-P)
Lot 656, Jalan Subang 1, Off Persiaran Subang
47600 Subang Jaya, Petaling Jaya
Selangor Darul Ehsan
T (603) 5633 6499
F (603) 5631 2387

FACADE SOLUTION

SUNWAY FACADE NETWORK SDN BHD (1153847-X)

1F09, Pusat Perdagangan IOI
No.1, Persiaran Puchong Jaya Selatan
Bandar Puchong Jaya, 47100 Puchong
Selangor Darul Ehsan
T (603) 8062 9792
F (603) 8062 9762

FORWARD-LOOKING STATEMENTS

This annual report could or may contain certain forward-looking statements that are based on Sunway Construction Group's current expectations or beliefs, as well as assumptions or anticipation of future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expects, estimate, plan, goal, believe, will, may, would, could, potentially, intends or other words of similar expressions. Undue reliance should not be placed solely on any of such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Forward looking statements speak only as of the date they are made, and it should not be assumed that they have been revised or updated in light of changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations and dispositions. The Group undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

SUNWAY CONSTRUCTION GROUP BERHAD (1108506-W)
www.sunwayconstruction.com.my

Tel | 6 03 5639 9696
Fax | 6 03 5639 9601
Email | enquirysuncon@sunway.com.my

ECO FRIENDLY PAPER

RECYCLABLE

SUNWAY®